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Nation's Business

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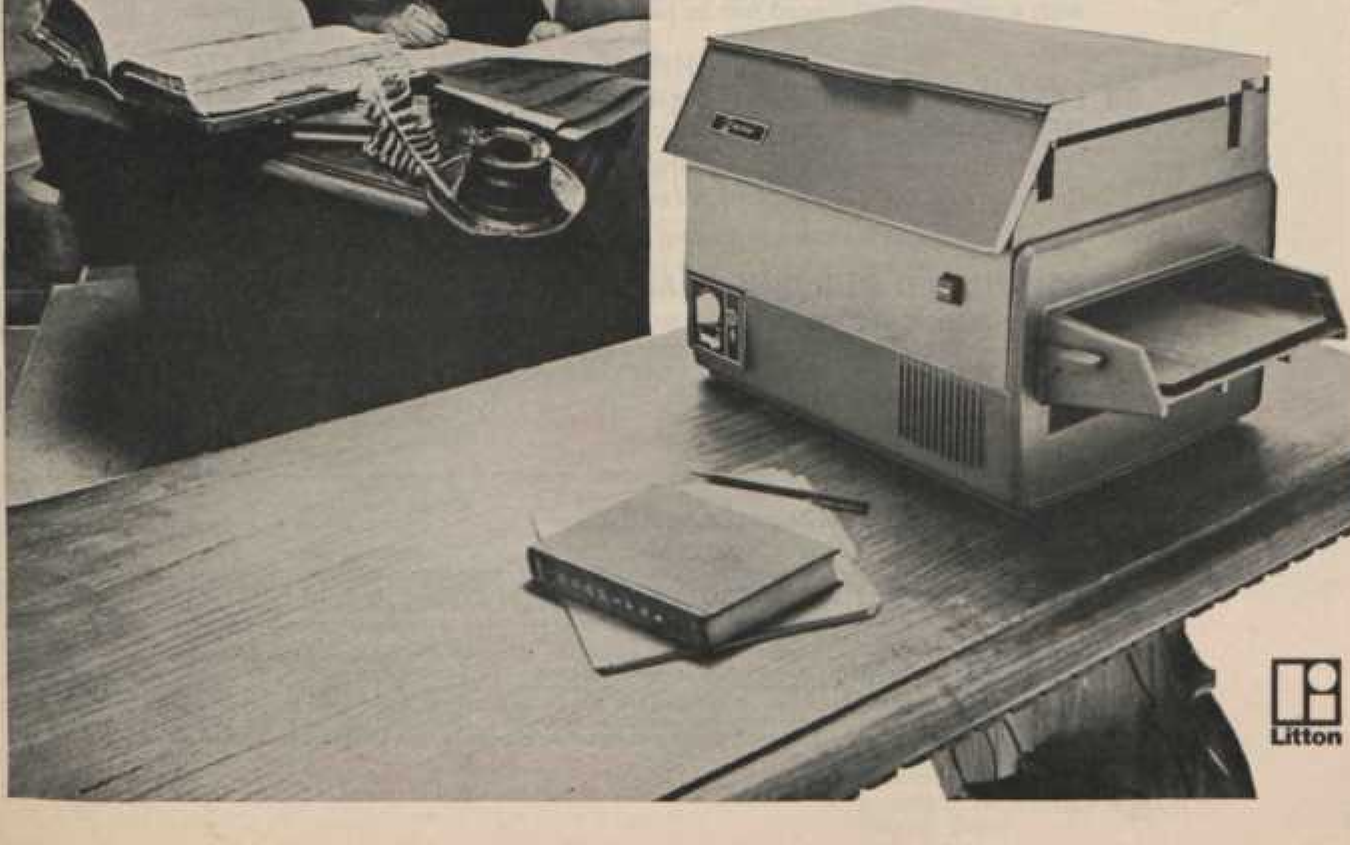

Litton

Nation's Business

Cover photograph by John Messina, from Black Star

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PUBLISHED IN WASHINGTON, D. C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

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MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

If you're looking for cheerful notes in this gloomy world of ours, you may enjoy this issue.

Sometimes it seems as if everything is going wrong, but that really isn't so. People are doing things about a number of the big problems. We are happy to report some of them.

Bill Buckley, on the cover, is courageously challenging compulsory unionism in the broadcasting industry. Mr. Buckley, an outstanding conservative editor, author and commentator, was required to join a union for his "Firing Line" TV show to be broadcast. Now he wants to quit, and has asked the federal courts to rule that it's unconstitutional to deprive him of his right to work.

He explains all this and more in the interview with a *Nation's Business* editor on page 32.

If foreign imports are plaguing your business, you may be surprised to learn of the help you can get. There's an important collection of advice on page 28.

Or, if you are one of those who's concerned about the "dreadful" plight of the consumer, you can take heart from the report on page 52 on the drastic steps that companies are taking to be sure customers are satisfied. Not what you usually read about "consumerism."

The problems of cities have also been pictured as impossible to solve but at least one mayor, Richard Lugar of Indianapolis, thinks there are answers; and he's finding some, as related on page 22.

• • •

The "Sound Off" question on page 19 is not quite so cheerful. It seems the federal government is again on the verge of assuming some more dictatorial powers.

This time it's the Equal Employment Opportunity Commission. Congress may vote this month on a new bill that would make the EEOC the policeman, prosecutor, jury and judge in job discrimination cases. An obviously better solution would be a bill sponsored by Congressman John Erlenborn of Illinois which would require the EEOC to go through the federal courts. It would also eliminate multiple suits against employers on the same claim.

Now for the hopeful note: If enough people let Congress know how they feel, it will vote the way the people want.

• • •

A final bright note: Thirteen has become a lucky number. That's how many important and concerned business leaders have just been elected members of the Board of Directors of the National Chamber.

Pictured below, they are: J. D. Anderson, president, Guarantee Mutual Life Co.; Cleo W. Blackburn, president, Board for Fundamental Education; Thomas B. Curtis, vice president and general counsel, Encyclopaedia Britannica, Inc.; Alfred M. Fulton, M.D., partner, The Billings Clinic; Daniel L. Goldy, president, International Systems and Controls Corp.; David L. Grove, vice president and chief economist, IBM Corp.; Harry Heltzer, chairman of the board and chief executive officer, 3M Co.; Simon Ramo, vice chairman of the board of directors and chairman of the executive committee, TRW, Inc.; William C. Rasberry, owner, Crestview Woods; William J. Steinmetz, vice president and treasurer, American Can Co.; Charles T. Stewart, vice president, general counsel and director of public affairs, J. C. Penney Co.; Robert T. Thompson, attorney, Thompson, Ogletree, Haynsworth and Deakins; Roger C. Wilkins, chairman and chief executive officer, Travelers Insurance Cos.

Jack Wooldridge

New Chamber Directors For 1971-72

Dr. Grove


Mr. Anderson


Mr. Blackburn


Mr. Curtis


Dr. Fulton


Dr. Ramo


Mr. Heltzer


Mr. Goldy


Mr. Wilkins


Mr. Steinmetz


Mr. Stewart


Mr. Thompson


Mr. Rasberry


LETTERS

IS THIS TRIP NECESSARY?

• The tire consuming public of the United States is about to be taken another mile down the road of inflation, only this time because of federal government requirements.

On May 22 a well intentioned but poorly conceived law became effective. It requires each retreader, including new tire manufacturers, to keep a record for three years of every tire sold to the public, so that if there is a problem characteristic of a series of tires, the tire buyer can be notified and requested to bring his tires in for adjustment.

The intention, of course, is to protect the consumer from defective tires. But past experience indicates this system will not actually work.

Frequently, articles are published reporting that the Department of Transportation has requested a certain manufacturer to recall a series of tires because of a manufacturing defect of some kind. But usually, the recall is on tires produced about two years previously. In all probability those tires being recalled have already completed their life span or have been adjusted for the defect.

Thus, in the vast majority of cases, the recall order is far too late to protect the consumer.

Department of Transportation statistics show that over the past three years, an average of one out of 32,000 new tires produced in the United States was actually brought in under a recall order—which helps to prove the point, since, using the same set of data, one out of every 3,200 tires produced was ordered to be brought in.

In other words, only one out of 10 defective tires was returned due to a recall order.

It has been reliably estimated that tire prices will increase in the neighborhood of $1 per tire to cover the new record-keeping cost. Thus it is easy to see needless inflation. The consumers will be asked to pay approximately $32,000 for every tire that will actually be brought back as a result of a recall order—and this does not even take into account the cost of operating the testing facilities or the Department of Transportation.

LEON STOUT
President
Michigan Tire Dealers and Retreaders Association
Cedar Springs, Mich.

Myrdal: pro and con

• The writer and a number of our partners were especially impressed by the April "Memo From the Editor" and we followed your advice and read the full article on welfarism in Sweden ["Gunnar Myrdal Talks About Troubles in 'Utopia' "]. We agree with your conclusion that "it demonstrates so clearly what can happen to America if we choose to become a welfare state. And we're headed that way."

I feel strongly that every Congressman should have and read a copy of this article. If it were possible, I would say that everyone having to do with government, from the smallest hamlet in the country to Congress, should have and read a copy.

However, to get back to the facts of life and be practical, I wondered if perchance you had made it a point to send a copy of this article to the individual members of Congress.

BERNARD E. POLLAK
Partner
Josephthal & Co.
New York, N.Y.

[*Editor's Note: Most members of Congress do receive* Nation's Business.]

• I write to protest the space you gave to the article about Gunnar Myrdal. We have entirely too much rank socialism in this country, and this fellow has done everything he knows how to spread the socialistic word. I realize that you tried to explain this in your "Memo from the Editor," but way too many people will not read things of this order.

C. Y. THOMAS
State Senator
Shawnee Mission, Kans.

• "Gunnar Myrdal Talks About Troubles in 'Utopia' " is a very interesting article which treats the subject with concern and yet restraint. I enjoyed reading it a great deal, and plan to circulate it among my colleagues at the Embassy.

JEROME H. HOLLAND
American Ambassador
Stockholm, Sweden

Received with pleasure

• I have several comments regarding NATION'S BUSINESS.

In the business world it is difficult to read the many publications that cross one's desk. However, your publication is one all young executives should read in order to gain useful insights into sound business thinking techniques from the "pro's."

"Sound Off to the Editor" is excellent. Your summaries of Yes-No responses to the various posed questions indicate that business management is united in thought regarding ways to improve several of our current social and economic problems. What seems to be missing is a unified action program.

Lastly, as an ex-schoolteacher, I congratulate you on Sen. Henry Jackson's article concerning Russian negotiations [April].

We in America often fail in trying to compare our actions and philosophies with those of our foreign friends. We do not seem to realize that "apples" are not "oranges"! I propose that we accept people for what they are, and not for what we think they ought to be.

R. E. BLOEMKE
Manager, Cleaning Chemicals
Nalco Chemical Co.
Chicago, Ill.

• I sent a letter to Sen. Jackson which said:

"Hurray for you. You've moved from No. 1 position to No. A-1 position in our minds since we've read 'How Not to Negotiate With the Russians' in NATION'S BUSINESS. . . .

"It's our opinion that statesmen are as rare as hen's teeth in Washington, D. C., and you're not only a striped-pants statesman but a Washingtonian to boot.

"Give Ivan hell—before he stamps the life out of us with his boot."

FRANCIS CALDWELL
Secretary-Treasurer
Northwest Trollers Association
Port Angeles, Wash.

Error regretted

• On page 75 of the April issue of NATION'S BUSINESS, W. P. Tavoulareas is referred to as an economist for Mobil Oil Corp. Mr. Tavoulareas is the president of Mobil Oil Corp.

ELIZABETH B. NEBER
Secretary to Mr. Tavoulareas
Mobil Oil Corp.
New York, N. Y.

People and pollution

• Re "Exaggeration: The Other Pollution Peril" [April].

Dr. Philip Handler, president of the National Academy of Sciences, addressed himself adequately and accurately to many questions in regard to pollution. However, the most important fact regarding pollution is that people pollute. As long as the United States and the world continue to grow so rapidly, there are very serious dangers.

I think at this point in time it is a great danger to underexaggerate pollution problems. There are far too many opportunists willing to grasp at the slightest indication that pollution is not as bad as it seems. Let's face it, pollution up to now has been profitable.

HAROLD E. MANHART, M.D.
Madison, Wisc.

• We welcome the statements of Dr. Handler, whose request for objectivity and prudence is so badly needed in the ecological dialogue being carried on with so much bombast and intensity.

DANIEL D. KELLY
Assistant General Manager
Omaha Public Power District
Omaha, Nebr.

• We would like to reprint "Exaggeration: The Other Pollution Peril" in our in-plant weekly newsletter.

DOROTHY McDERMOTT
Editor
The Forecaster
A Carbide Publication
Texas City, Texas

Fast-stepping Romans

• Re "Soon It May Be 'Give a Centimeter and Take a Kilometer'" [April].

Do you really believe that a mile is "the distance a Roman soldier traveled in 1,000 paces?" That's 1.76 yards per pace, or 5.28 feet.

In armor? I doubt it. I couldn't have done as well, at 16 and barefooted, crossing cotton rows in Oklahoma. I doubt that the Roman legionnaire did either.

M. S. LALE
Staff Assistant, Plant Relations
Thiokol Chemical Corp.
Marshall, Texas

[*Editor's Note: The Roman pace, according to "Webster's New International Dictionary," was five Roman feet—the distance "from the heel of one foot to the heel of the same foot when it next touched the ground."*]

EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

- One secret of a long life
- Hot under the white collar
- If an employee's hurt
- Picking producers

Success agrees with 'em

Forget those clichés about the top business executive.

He's not apt to be ulcer-ridden, cursed with high blood pressure, courting a coronary—and headed for an early grave.

At least, a Metropolitan Life Insurance Co. statistical study doesn't say so.

Quite the contrary.

Matched with other American men of similar age, successful executives prove highly durable.

For example, at 45 and over, the mortality rate of businessmen in "Who's Who" is only 71 per cent of that of all white U. S. males in the same age bracket.

Life may be salubrious in the executive suite generally, but it doesn't seem to be so on Madison Avenue.

"The average age at death figure [for admen] is disastrous," *Advertising Age* reports. Last year, by the magazine's count, it was 59.7 years. *Advertising Age*'s statistics are compiled from obituaries carried in its pages.

Here are some bench marks on longevity from the National Center for Health Statistics: A man who's 61 now should live 15 more years; if he's 56, 18 more; 51, 22 more; 46, 26 more and 41, 30 more.

White collar workers: Why they join unions

Low wages?

Poor extra benefits?

"That's not why office workers sign up and start paying union dues," contends management consultant A. A. Imberman.

"Wage rates and fringes aren't at the root of most of their dissatisfaction. If they were, how could we explain strikes in some major industries that pay among the highest wages in the country?"

Mr. Imberman, who is president of the Chicago firm of Imberman and Deforest, says, "Almost always, a white collar worker's interest in a union is related to one thing: Whether he feels that his employer treats him fairly, decently and with respect."

Then why does management usually try to motivate its people with money? Because money is the one thing managers can manipulate easily, Mr. Imberman asserts.

"But employees have other needs," he says, writing in the monthly magazine, *Bank Administration Institute*.

The union organizer's a threat, he adds, because the president doesn't know what the white collar worker's real gripes are.

What's the answer?

"Listen to them through regular and systematic interviewing procedures," he says.

"Then follow up on those expressions of dissatisfaction.

"If you don't know how to do it in a systematic way, get an outside consultant to set up the machinery and get it going."

Doing business with the World Bank

It's easier now than it used to be.

Until recently, phone numbers there were a closely guarded secret. Or, at least, hard to come by.

Now the International Bank for Reconstruction and Development, to use its legal handle, will provide its phone directory to businessmen.

It's nice to have the World Bank's numbers.

Last year, the bank generated $159 million worth of direct business for

EXECUTIVE TRENDS *continued*

U. S. firms. That's the amount it paid for equipment and services provided for International Development Association and World Bank projects.

"The phone book is a great help in untangling red tape," one authority says. "With one, you can locate the people most directly involved in a project, and call them.

"Without one, you can bounce from extension to extension for half a day."

The book lists all officers, starting with President Robert S. McNamara. His number's 477-2001.

You can get a copy by writing World Bank, c/o Miss Hildegarde Mertes, Office Services, Room B-109, 1818 H St. N. W., Washington, D. C., 20433.

NAB appeal: More summer jobs

With schools letting out, tons of teen-agers want work.

Among them, says the National Alliance of Businessmen, are a million "disadvantaged" youths—kids from poor families who need money to go back to school.

The NAB hopes to find jobs for them.

Last summer, more than 25,000 employers hired such youngsters. This year, the NAB says, the job need is at an all-time high.

Can you use extra help this summer?

If so, the NAB urges you to get in touch with its local office or your state employment service and tell how many disadvantaged kids you can hire.

"You'll do more than provide them with work," an NAB spokesman says. "You'll cut the school dropout rate and let these youngsters learn more about career opportunities in private business."

It's not just altruism.

"You'll also help assure a better trained labor force to draw on for future employment needs," the NAB notes.

What you owe if he's hurt

Say he's a welder, or works on the assembly line. If he's permanently injured on the job, he now can get a maximum of $80 a week—for life.

If the injury's temporary, the weekly ceiling's $95.

At least that's the rule under the workmen's compensation law in New York. It is one of 20 states that have raised the ceiling recently on weekly income benefits under their workmen's compensation laws.

"Keeping up with the changes is a headache," one expert says.

"Especially if you have plants, or salesmen, in half a dozen states or more."

But there's a cure for that kind of migraine.

The 48-page "Analysis of Workmen's Compensation Laws" gives thousands of details about these statutes. It covers all 50 states, plus

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EXECUTIVE TRENDS *continued*

the District of Columbia, Guam, Puerto Rico and Canadian provinces.

It's a guide to a big subject for business. More than $2.6 billion were paid out as income and medical benefits under these laws last year.

The book's published annually by the Chamber of Commerce of the United States. The 1971 edition ($1.50) is available now.

Included in this edition is the new federal law that established a national commission to study state workmen's compensation statutes.

The commission will probe whether state laws "provide an adequate, prompt and equitable system of compensation." Its report is due July 31, next year.

Doing away with writer's cramp

One recording secretary has found out how.

When the Franklin Lakes, N. J., Chamber of Commerce meets, Ray Vartanian keeps the minutes electronically.

"I used to take notes in longhand as fast and as best I could. Then I'd try to fill in the blanks from memory," he says, echoing the age-old gripe of all who perform this thankless task.

"I missed a lot."

But he's found out how to beat the system. Now, when a meeting starts, he turns on a small, portable IBM dictating machine.

As the speakers orate, he whispers a summary of what they say. Then he turns the magnetic belts over to a stenographer who transcribes the minutes and mimeographs them.

"I mail a copy to every member," Mr. Vartanian says. "Now, they get a detailed account of what went on—not a shaky summary."

Picking men—and making 'em produce

Wall Street says it can tell who'll be the good ones.

Brokers with New York Stock Exchange firms have to take a registered representative's exam.

Those who get A's on its test turn out to be the top producers, NYSE says.

Here's how brokers' grades compare with the annual commissions they bring into their firms:

Grade	Commissions
A	$50,000
B	$38,700
C	$36,000
D	$30,900

Commission figures are the median for a three-year (1967–69) period.

A study of performance in relation to experience over that span reveals an interesting pattern.

Experience boosts sales, NYSE finds. For example, securities salesmen on the job six years produce a median $55,400 in annual commissions. Those with two years' experience produce a median of $28,000.

But seasoned stockbrokers reach a peak after six years, and then tail off. Median commissions go from $68,300 in the seventh year to $60,000 in the eighth, then to $59,800 for those with 10 years' experience or more.

In sales, the manager's to blame when older men taper off, one expert says. Every man has a button, and the sales manager has to know it, says John J. McCarthy, president, John J. McCarthy & Associates, sales and management training consultants, New York.

"Every sales manager must identify the key interests of each man on his sales force," he told the Sales Executive Club of New York. "And

EXECUTIVE TRENDS *continued*

remember, each man wants something different.

"Some want wealth.

"Some want security.

"Some want fame or power."

What's the button that most commonly should be pushed for senior salesmen?

"Recognition," says Mr. McCarthy.

Hold for the long haul

"Go-go funds!" one executive snorts.

"They've given the industry a black eye.

"The public hops in and out of them for quick, short-term gains.

"No one should buy mutual funds unless he expects to hold them."

The Investment Company Institute recently published a table comparing performance of a group of more than 400 funds over the long haul, including the market drop last year, to the return from a savings account paying 5 per cent compounded annually:

MUTUAL FUNDS			SAVINGS ACCOUNT
Jan. 1	Initial Investment: $10,000	Gain	Initial Deposit: $10,000
1950	$ 9,150		$10,000
1951	11,163	$2,013	10,500
1952	12,726	1,563	11,025
1953	14,126	1,400	11,576
1954	14,168	42	12,155
1955	19,977	5,809	12,763
1956	23,373	3,396	13,401
1957	25,009	1,636	14,071
1958	22,508	−2,501	14,775
1959	31,061	8,553	15,514
1960	34,788	3,727	16,290
1961	35,831	1,043	17,105
1962	46,580	10,749	17,960
1963	40,525	−6,055	18,858
1964	47,820	7,295	19,801
1965	54,037	6,217	20,791
1966	65,385	11,348	21,831
1967	62,116	−3,269	22,923
1968	83,857	21,741	24,069
1969	98,113	14,256	25,272
1970	85,358	−12,755	26,536
1971	80,237	−5,121	27,863
	Total Gains:	$70,237	$17,863

The mutual fund figures are based on the assumption that the original investment was reduced by a sales charge of 8.5 per cent and that all capital gains and dividends were reinvested.

"They show that the original $10,000 was worth $80,237 on Dec. 31, 1970—after one of the worst market slumps since 1929," a spokesman notes.

Figures today, of course, would be much higher after the market's roaring recovery.

Another kind of audit?

After the '29 Crash, something new was added to the corporate scene.

Namely, the Securities Exchange Act of 1934. It required, among other things, that a publicly held company have an outside auditor go over its books and make his audit public.

The goal, says Gen. James M. Gavin, board chairman, Arthur D. Little, Inc., Cambridge, Mass., was to give the public an objective report on the company's financial health.

Soon, he warns, executives may find Washington demanding a "social responsibility audit." Meaning, an audit of how well the firm meets what are considered its social responsibilities.

Such demands will be made, Gen. Gavin says, "if complaints continue about the lack of equal opportunity for minorities, the lack of social sensitivity in various echelons of management, dehumanized working conditions [and] the amount of pollution that is put into the air and into the streams."

He adds that some corporations, such as General Motors, already are taking steps to adapt to growing, and changing, public expectations from business.

Others, he feels, must, too.

"The American business community," he says, "is the most highly respected, highly regarded, indeed highly copied of any in the world. It has been hard-nosed. But when it has had to be, it has proven to be receptive, sensitive and responsive.

"The corporation that survives will be not only tough and hard-nosed, but also sensitive to the changes that are swirling about."

PANORAMA
of the nation's business

By VERNON LOUVIERE
Associate Editor

Sears Allies Itself With Latin Progress

Sears, Roebuck and Co. is a day-by-day practitioner of the "good neighbor" policy in Latin America, where it operates some 90 retail outlets and employs more than 15,000 persons.

Whenever possible, Sears buys local products to sell in its Latin American stores. In line with this policy it aids in developing manufacturing in countries where the stores are located, often arranging financing for new suppliers, contributing technical know-how and arranging for use of U. S. processes or designs.

When Pan American Day was observed in Washington this April Sears unveiled a collection of fashions created by Latin designers and produced by Latin manufacturers. It was helping create new markets for Latin exports.

Galo Plaza, secretary general of the Organization of American States, commented on the event:

"Of the many ways in which we could mark the occasion of Pan American Day, none is more fitting than a tribute to a dynamic sector of Latin America's economy whose potential will come as a surprise to many in the United States and elsewhere—the fashion industry.

"High quality Latin American fashions, fruit of the successful blending of creative excellence and economic progress, represent a promising source of export earnings for the region."

This Peruvian poncho was on display at Sears' Washington fashion show.

Sears began doing business in Latin America in 1942 when it opened a store in Havana under the guidance of the late Gen. Robert E. Wood, father of the company's vast U. S. retail expansion program. Despite the handicaps of World War II, the store was a success, and it proved American retailing methods could work south of the border.

Today, more than 11,000 suppliers in Latin America receive orders from Sears subsidiaries. The company's Latin American sales reached $240.8 million last year.

The "thrust of this effort has been to work with Latin American suppliers to develop the best possible merchandise, fairly priced, for their home markets, in line with our policy to sell locally made goods wherever possible," says John F. Gallagher, Sears vice president for international operations.

"This policy has led Sears to take a leading role in the development of manufacturing throughout the region, and in assisting manufacturers to develop higher standards of quality, craftsmanship, and creativity."

Softening the Blow on "Electronics Row"

Burlington Bank and Trust Co. of Burlington, Mass., is located near suburban Boston's Route 128, sometimes called "Electronics Row" because of its clusters of electronics plants. More than 6,000 engineers and scientists have been laid off there in the past year.

Burlington Bank decided to do something to help out, and invited depositors to participate.

It started a loan fund for people who are out of work. Then it announced that for every dollar deposited in a new savings account, it would add a dollar to the special fund. John P. Di Iorio, bank president, believes the fund will help many of the unemployed until times get better or they can find new jobs. He explains:

"The fund is going to enable us to help the unemployed engineer whose wife is working for her teaching certificate so she can get a job. To have her drop out of school because her husband has been laid off would be a tragedy.

"Then there's the man who's enrolled in a six-month retraining program. He's going to have a good job when he finishes, but he needs money to tide him over.

"Or take the family that wants to consolidate credit card, charge account and time payments so they can stretch their savings until the father is able to find another job. We'd like to be able to lend them money."

Mr. Di Iorio concedes this may be an unusual banking practice, but he is convinced it has merit. He says:

"Most bankers have always been ready to help people in difficulty, provided there's reasonable assurance that the bank is not throwing away depositors' money. The trouble is, most people don't know this. As a consequence, many people are reluctant to come to a bank for financial assistance and advice when they need it most.

"We think we have a responsibility to do something about this."

continued on next page

A Community Thanks Its Policemen

Clasped hands, and the number of people who came to dinner, symbolize Onondaga County's feelings about its lawmen. The city of Syracuse is the major population center in the county.

It was the largest community dinner in the history of Onondaga County, N.Y., and not even a spring snowstorm discouraged the 2,000 guests who jammed the county's war memorial auditorium.

The affair was a testimonial to the 22 law enforcement agencies in Onondaga County—a community "thank you" from the citizens they serve.

More than 1,000 off-duty policemen and their wives were honored guests.

Messages from President Nixon and Gov. Nelson Rockefeller paid them tribute.

Charles V. Fenn, president of Carrier Corp. and general chairman of the dinner, told the lawmen:

"If you feel an occasional sneaking suspicion that you are unappreciated, the sponsors of this dinner are here to tell you there has never been a time in our nation's history when you have been so fully appreciated, so respected, so valued by your fellow citizens.

"We understand the great importance and difficulty of your work. We respect your patience, your faithfulness, your courage. We pledge you our support."

More than 150 area businesses contributed to the dinner. Approximately $5,000 in unspent contributions are being used to set up a fund to help local policemen get more education and training, according to Joseph F. Owens Jr., president of the Greater Syracuse Chamber of Commerce.

President Nixon's message said he was gratified to find a group "of such exceptionally devoted law enforcement officials, as well as a citizenry that is appreciative of the dedication they pour into their daily work."

The feeling of the people for their policemen was perhaps best illustrated by an incident which, took place shortly before the dinner. A man approached the reception desk at the war memorial and told the receptionist he had just heard about the testimonial. He wrote out a check for $100.

Bank Says We Must Earn That Brighter Tomorrow

Banks, like other businesses, have to engage in some degree of crystal-balling so they can better serve their customers.

Lincoln First Banks Inc. of Rochester, N. Y., has taken a broad view of the future and come up with a comprehensive picture of what life may be like after the turn of the decade.

In a recently published "Report on American Lifestyles of the 1980s," the bank predicts that the life of the average American will be significantly improved in terms of health care, income, conveniences, transportation, housing, leisure time and general environment.

However, the report also says the next few years will present ecological, social and economic challenges which will test the nation's resolve.

Lincoln First, a multibank holding company with 113 offices in 71 New York State communities, commissioned the Management Research Center of the University of Rochester to develop the futuristic picture. The report also is based on interviews with 150 government, community, business and educational leaders in areas served by the banking firm.

Commenting on the findings, Wilmot R. Craig, president and chief executive officer of Lincoln First, points out:

"As we enter the 1970s, the view of the 1980s looks promising. The solutions to the challenges we face today will require devoted and continued efforts by individuals, government and other institutions in our society.

"It appears, however, that the public concern necessary to produce such efforts is already observable and of increasing strength in our country."

By 1980, according to the study, the average workweek may shrink to about 36 hours.

Median income is likely to increase 50 per cent to more than $10,000, and one family in three may earn at least $15,000 annually, compared to one in 13 today.

The study adds that the environment will be improved a decade hence, but at a cost of billions upon billions of dollars, financed largely by the taxpayer.

SOUND OFF TO THE EDITOR

SHOULD FEDERAL AGENCIES HAVE COURT POWERS?

Should federal agencies have court powers?

There is a growing feeling that in its concern over the environment, equal rights, consumerism and other vital issues, the federal government is moving to place too much power in the hands of regulatory and enforcement agencies.

Some proposals would give agencies powers tantamount to that of a court, making them in effect prosecutor, judge and jury in matters that they investigate.

An example is a proposal that the Equal Employment Opportunity Commission be enabled to issue "cease and desist" orders without going through federal district courts for such action.

Another is one that the Federal Trade Commission be allowed to issue regulations having the full force and effect of law. Still more sweeping proposals are before Congress in the environmental field.

The issue doesn't involve whether equal employment standards, or regulations to protect the consumer and the environment, are needed. It involves how the standards and protection are provided.

There is wide division of opinion as to whether the powers of a court should be placed in the hands of regulatory or enforcement agencies.

Proponents generally argue that courts are jammed and a violation must be stopped at once, not permitted to continue while the merits of the case are argued before a judge.

In some instances, it is argued, the agencies have more expertise than the district courts—and their actions can be taken later to a court of appeals, anyway.

Opponents contend that trial in a court is inherent in the American system and that it is a violent violation of constitutional rights to be investigated, prosecuted and judged by the same agency.

What do you think? Should federal agencies have court powers?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should federal agencies have court powers? ☐ Yes ☐ No

Comments:..

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Name and title........................

Company..............................

SOUND OFF RESPONSE

THE TIME TO RETIRE

For all practical purposes, it's a dead heat.

That's the way the responses add up on last month's "Sound Off to the Editor" question, "Should the retirement age be raised?"

Many of those who say No add that they actually favor lowering of the generally accepted retirement age of 65. They want it dropped to 60, or into the late 50s.

Their main reason: To make room for youth in the business world.

"Our economy would be much healthier," says Bryan Goodger, president of Central Telephone Co., Inc., Decatur, Texas, "if the retirement age could be lowered and we would stop paying our younger people for being nonproductive. . . . It would open up more jobs for our younger people."

Elsie Heimann, president of Heimann Manufacturing Co., Urbana, Ohio, comments: "I feel the age limit is too high now. A man should be able to quit work at 60 if he desires and a woman at 58. . . . Let the young take over and let the older people do as they please for a change."

E. W. Chapman, vice president-marketing of S. G. Taylor Chain Co., Inc., Hammond, Ind., announces: "I vote emphatically No. I am planning on retiring at the age of 63 although our company regards 65 as the official retirement age. At that time I'll have completed 40 years here. My predecessor, in staying until 68, held back a necessary chain of advancement."

M. C. Fletcher, vice president of The Sperry and Hutchinson Co., New York City, also cites opportunity for the young, though he doesn't urge a lower retirement age. At 65, he says, "the average worker has earned his retirement, and any added years the increasing life span give him could be enjoyed—while giving our labor market a place for the multitude of youth coming along."

The older generation is needled a bit by Walter Fifelski, owner of Farm Building Service, Wayland, Minn. He writes that the man who says "he can't retire is afraid the world will find out it can get along without him."

On the other side of the issue, many respondents favoring a boost in the retirement age say they want to prevent "wasting" the skills and experience of senior members of the national work force.

The argument of J. R. Love, president, J. R. Love Co., Celeste, Texas, is typical: "Many men are active and in perfect health after age 75. Why lose 10 years of a man's usefulness by forcing retirement?"

Says Bruce W. Oxford, president, Face-Craft Veneer Co., High Point, N. C.: "Everyone should have the satisfaction of contributing as long as his capacity will allow."

P. E. McKamy, vice president of Prater Industries, Inc., Washington, D. C., adds that "for business or government to arbitrarily decide when a man should retire is ridiculous."

George B. Toll, chairman of the Department of Economics and Business Institutions, United States International University, San Diego, Calif., argues: "Neither business nor taxpayers should have to support people still in their prime who are forced to be nonproductive."

And Oscar Spitzenberger, president of Spitzenberger's, Inc., Norfolk, Nebr., says the retirement age should be raised "to at least 85, and hours worked per week to at least 60." Mr. Spitzenberger adds: "The trouble with the nation is that nobody wants to work any more."

Some readers cite their own intention to keep working. Lee Govan, vice president of the Credit Bureau of Albuquerque, N. Mex., reports: "Our outside salesman was a top man until age 75. At 66 years of age I am looking forward to many active years."

Al Bodley, president of Getty Abstract Co., Sioux Falls, S. Dak., says: "I am 90. I still work every day. Let them retire at 65 if they so desire, but don't make it compulsory."

A voluntary retirement system, tailored to each man's health and desires, is suggested by many respondents.

For example, Richard R. Boyd, branch manager of The Shaw-Walker Co., Indianapolis, Ind., says: "Retirement age, as it is presently set up, seems to be based entirely on the insurance company's findings and corporation S.O.P. We have in my opinion neglected the individual." He adds that ability and desire to work are not dependent upon age.

Henry Kenny, office manager, Anaconda Wire and Cable Co., Chicago, Ill., believes "this is really an individual problem, as age itself does not limit a person. Some are very productive at 65, others are 'old' at 50. There must be some sort of flexible retirement plan."

A. J. van Oosten, owner of Van Oosten Enterprises, Denver, Colo., believes "all arbitrary age devices for retirement are bad. Some people are worn out at 35 or 40, while others are mentally vigorous octogenarians. Annual physical, I. Q. and other appropriate tests would be a better determinant."

Milton M. Gatch, a vice president of The Gross Feibel Co., Hillsboro, Ohio, says "the three abilities, namely disability, inability and irritability, and not a chronological age determine the desirable age for retirement." He notes that he has retired twice and at 66 is in a third career—"hoping never to retire again."

Few of those advocating an early retirement from business suggest that the senior citizen should sit and rock. Some speak of "hobbies" and a "little fun" and others mention plunging into work in such civic fields as hospitals, education and parks.

In the words of Ivan A. Novak, clerk in charge of the Hilbert, Wisc., post office: "There is so much to be done in community work."

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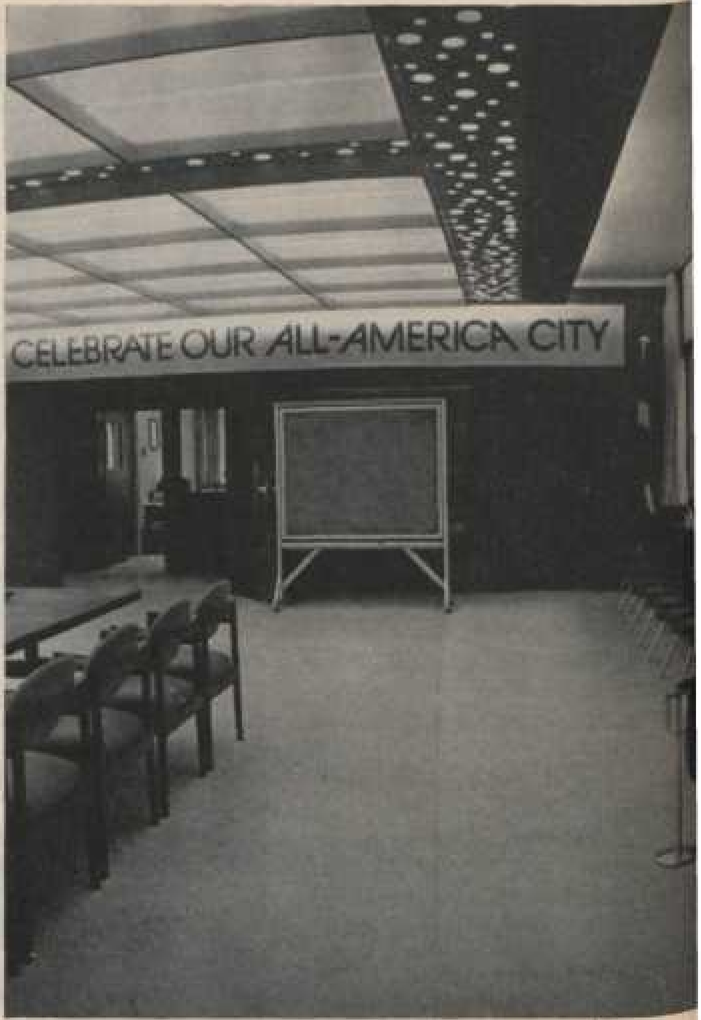
Nation's Business
June 1971

Self-Help and the Cities

"President Nixon's favorite mayor" is confident that the city isn't dying in America, and that strong doses of do-it-yourselfism can make its life a healthier one



The penthouse office of Indianapolis Mayor Richard G. Lu

Ten years ago, Richard G. Lugar was a young Indianapolis businessman struggling, he recalls, to "turn red ink into black."

Today, not yet 40, he's mayor of Indianapolis, president of the National League of Cities, and an internationally recognized expert on urban reform.

At a time when ever-growing problems—mostly financial but also ranging from creaky transportation systems to burgeoning crime—plague the city, the man often termed "President Nixon's favorite mayor" is an optimist about its future.

His role as president of the League of Cities puts him in a particularly advantageous position to speak of solutions to the urban crisis.

And the one thing he stresses most is this: Cities can do a great deal to improve their own condition, particularly in restructuring their governments to make them more responsible and responsive to citizens.

The answer to city problems, he says, does not inevitably have to be an appeal to the federal government to "come in and minister to us."

As do most mayors, Mr. Lugar favors the Administration proposals for revenue sharing. But his over-all outlook is far from that of some of his fellows.

Mayors such as Boston's Kevin White, New York's John Lindsay, Newark's Kenneth Gibson, Seattle's Wesley Uhlman and New Orleans' Moon Landrieu think only a massive infusion of federal money will keep some cities from going down the drain.

They are among those who discuss the urban future in terms of "throwing in the sponge . . . bankruptcy . . . hit bottom . . . death of the cities."

Says Richard Lugar: "Some cities are obviously in serious condition, a few even are 'in extremis.' But a majority of cities of all sizes are not dying."

Not only will new cities be built, he predicts, but "the great old cities will continue."

Costs up, income down

Nearly all major and medium-sized cities have a common problem: Loss to the suburbs of middle-income taxpayers and sharply increased costs of providing services to remaining residents, many of whom make little or no contribution to municipal income.

Some are losing industrial and commercial as well as residential tax-

PHOTOS: DECLAN HAUN—BLACK STAR

...offers a panoramic view of his community—which is proudly described on the banner in his conference room.

payers, with inner-city slums growing while the tax base shrinks.

Race riots and strikes by teachers and other city workers are also among the enormous liabilities.

As America's eleventh biggest city, Indianapolis shares some urban problems in varying degrees. But it has escaped the more horrendous ones.

On the other hand, its size, and its roles as a state capital, an important commercial-industrial center and the site of a major higher education complex preclude comparisons with the smaller municipalities.

When he took over as the 1971 president of the League of Cities, Mayor Lugar had some practical advice on how the organization should pursue its goals:

"We shall need to sharpen our instincts as able politicians who forge alliances, count heads, time words and deeds with precision and implement fortuitous results with a smooth and unruffled style which inspires confidence and sets up a potentially long string of victories."

He might well have been offering the same formula that has made his own life and career "a long string of victories" and has led to growing speculation in the press that he has great expectations in the Republican Party.

Richard Lugar was an Eagle Scout and a Rhodes Scholar; No. 1 in his high school and Denison University graduating classes; co-president of the student body at Denison; and a Naval officer chosen for the key assignment of intelligence briefer to the chief of naval operations.

(The other co-president of Denison's class of 1950, incidentally, was Charlene Smeltzer, now Mrs. Lugar and mother of their four sons.)

After military service, ex-Lt. Lugar returned to Indianapolis and, with a brother, succeeded in turning two family businesses into prospering enterprises. He entered politics and, at age 35, ran for mayor in 1967 and defeated the incumbent.

Merging with the suburbs

One of his biggest victories since then has been in spearheading the movement that brought about consolidation of the city of Indianapolis with surrounding Marion County.

Businessmen and other concerned citizens had watched in dismay as Indianapolis area governmental agencies proliferated, with inevitable duplication and waste. Mayor Lugar

PHOTO: BOB DOEPPERS—INDIANAPOLIS NEWS

A summertime youth recreation program opens each June at Indianapolis schools, and the mayor and members of his staff are among the first runners to try out the tracks.

went to work in earnest on city-county consolidation shortly after taking office in 1968 and one of his first moves was to "forge alliances."

The business community, which long had advocated a metropolitan approach to government, enthusiastically rallied behind the idea. So did the League of Women Voters and the Greater Indianapolis Progress Committee, Inc., which represents a broad spectrum of community groups.

Democrats who had headed the state and city governments in the past had been cool to consolidation proposals. After all, adding suburbs would expand the Republican power base. But in 1969, there was a Republican mayor, a Republican governor and a Republican-controlled legislature.

"The time was right," Mayor Lugar says. He mobilized committees and task forces of businessmen, professionals and other residents with special skills.

They worked long hours to fashion a consolidation plan.

The mayor asked the legislature to implement it without a referendum, which brought protests both from Indianapolis Democrats and from suburbanites aghast at the idea of being absorbed inside the city lines they had so recently crossed.

Mayor Lugar's position was that Indiana law vested authority over local governments in the legislature and there was no provision for a binding referendum in the law.

His recognition of the importance of "counting heads" came into play as he rallied crucial support.

He had campaigned in 1968 for Republican legislative candidates throughout the state and later lobbied successfully among the winners on behalf of "Unigov," the plan for consolidated government.

In that same election in 1968, the mayor was a tireless campaigner in Indiana for the Republican Presidential nominee, Richard Nixon. He rallied even more dramatically behind the President at the annual meeting of the National League of Cities in San Diego, Calif., in 1969.

The session had produced a barrage of sharp criticism of the Nixon Administration, as well as of governors, state legislatures and others blamed for cities' problems.

Lindsay loses

Mayor Lindsay of New York, a leading critic of the President, was on the verge of being chosen vice president of the League. He then would have been in line to assume the presidency the following year.

Unhappy with what he considered the meeting's negative approach, Mayor Lugar challenged Mayor Lindsay—and won on what he calls a platform "of winsome persuasion" to gain friends in state capitals and Washington for the cause of the cities.

Currently, the Indianapolis chief executive not only heads the League of Cities—which represents 14,800 municipal governments—but also serves in several national governmental organizations, including the prestigious Advisory Commission on Intergovernmental Relations.

He is a strong supporter of President Nixon's concept of returning responsibility to local governments.

"I feel I know more about this city and its needs than any Congressman or collection of them," Mayor Lugar declares.

At the same time, he adds, cities have a big responsibility to see to it that they put any help from Washington to the best possible use.

"A lot of houses must be put in order before federal money will do anything but splash off the cement," he says.

"A common problem is the inadequacy of the local governmental structure to do a first-class job."

He cites as handicaps:

- Cities locked into procedures set by

state legislatures to fit conditions that existed a century ago.

- A host of autonomous governmental units dealing with single functions—parks, transportation, health, etc.
- Mayors with little control over finances or personnel of independent boards and commissions.

"The ordinary citizen is unable to hold anyone responsible," Mayor Lugar notes. "Voting the mayor out of office because of a poor parks program doesn't do any good if the parks are under an independent commission.

"It's that kind of situation that turns people to the federal government and erodes local control."

His own city, Mayor Lugar reports, is "stronger than it was 10 years ago and infinitely stronger than it was 25 years ago.

"We are not worried about bankruptcy.

"We are growing economically, culturally, in things that contribute to the joy of living—and we are certainly growing in the pride attached to that kind of a community."

A major factor, he says, has been Indianapolis' consolidation with its suburbs—and he points out that Nashville, Tenn. and Jacksonville, Fla., have also benefited from consolidations.

(He concedes, however, that consolidation is no cure-all, and that the realities of politics sometimes make it unattainable.)

What business can do

Restructuring a local government requires help from the business and professional community in manning study groups, serving on charter commissions and "rewriting the rules of the game," as was the case in his own city, Mayor Lugar says.

At the same time, he expresses concern that businessmen often take a dim view of those in elective office, considering them "of little merit intellectually and perhaps morally."

If they feel that way, Mayor Lugar continues, "businessmen ought to be that much more involved in government; but too often they are dissuaded by their own peers from moving from the charter-commission type of service into actual political life."

In fact, he laments, a businessman announcing for public office is often treated by his colleagues "as someone who has lost his balance," who is making a misguided bid "to become a celebrity and who has been taken with the hoopla of politics."

But, he comments, "someone has to take the bull by the horns" to put into practice the changes envisioned on paper.

And, he says, a businessman going into politics will find opportunities to broaden his abilities and to "bring out talents he didn't know were there."

Mayor Lugar warns anyone contemplating public life to be ready for "total immersion" in the job.

"We have 800,000 people in our city," he says. "A businessman dealing with a small spectrum of society doesn't realize how many people that means.

"If I leave my office and walk two blocks, I'll have 12 conversations. When I'm getting ready to drive off the third tee at the golf course, I'll see somebody heading across the fairway toward me with a problem or something they want to talk about.

"When I take my four boys to a basketball game, it sometimes gets to be an open house for people who want to talk to me about almost anything—

Many constituents air their views on any number of issues when they spot the mayor outside his office.

As his desk's condition indicates, Mr. Lugar's schedule is hectic. In addition to being mayor, he's president of the National League of Cities.

a better job or a complex business proposal for the city.

"Some of the basic decisions a mayor of a city this size has to make are on allocation of time, on who to see and what invitations to accept, on how to structure your staff to maximum advantage—and how to give individual attention to human problems in the midst of everything else.

"Dealing with widely dissimilar subjects is another aspect of the job. You find yourself discussing real estate taxes, then the drug problem, then tertiary treatment of sewage; then speaking to a veterans' convention and then meeting with students.

"You have to be able to maintain your equilibrium, your sense of humor and your common sense in a myriad of situations."

Mr. Lugar maintains close ties with the young of his city, attending high school athletic games, pep rallies and scholastic honor banquets. He sends personal letters to recipients of awards and welcomes to his office young people ranging from Brownie troops to graduate students doing theses on Unigov.

"It's important," he says, "for youth to know that government cares."

Grim Sunday in the park

The young people respond. They write to him in large numbers. They ask his advice on a career, on a choice of college. They seek his views on environmental questions, on foreign policy, on the war, on all the topics of great concern to them.

Each gets a personal reply.

A dramatic example of the Lugar approach came this spring, when the possibility of mass violence arose in a city park. Young people who frequented the park were angered by police activity, which stemmed from complaints that young sex deviates and drug users were operating blatantly there.

A confrontation between long-haired youngsters and police was expected one Sunday afternoon.

As the youngsters awaited the arrival of police, ice cream trucks driven by casually dressed young men rolled into the park. The drivers proceeded to hand out ice cream. Then they produced footballs and soon several games of touch football were under way.

Eventually, it occurred to the young people, as well as to the mass of spectators who had turned out in anticipation of a major clash, that the police were already on hand—in the persons of the ice cream dispensers. They were officers with experience in various youth programs.

"The police had established that there was to be no illegal activity in the park," Mayor Lugar says. "And the young people had established that they were entitled to use the park."

He pictures the incident as showing the "creative results of applying a considerable amount of coordination and fine tuning."

Sometimes more direct intervention by the mayor is necessary.

One Christmas Eve, after he and Mrs. Lugar had put their sons to bed and were decorating the Christmas tree, the phone rang.

It was the director of public safety: A narcotics addict who had been arrested and taken to a hospital had seized a deputy sheriff's gun, wounded two policemen, and escaped. Now, still armed, he was holed up in a public housing project.

Mrs. Lugar was left with the lights and tinsel as the mayor drove to the hospital. He took charge, received reports, visited with the families of the wounded officers and provided detailed information to newsmen.

"I was physically present and accessible," he recalled later. "We made decisions rapidly but as calmly and coolly as possible."

Greeting Christmas Day in that fashion was another example of the "total immersion" in the job required of a mayor of a big city. END

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Lifelines for Import Victims

U. S. businessmen awash in competition from abroad have a number of relatively little known ways of getting help from the government

A Chicago company had turned out finely made, stalwart barber chairs for four generations. Then it lost much of its small but lucrative market to less well-made, cheaper chairs imported from Japan.

The company asked Uncle Sam for help—and got it in the form of "adjustment assistance." Today, the firm manufactures dental cabinets and related items, as well as its traditional product.

And no one resorted to trade restrictions.

Last winter, after months of discussions with American importers and Japanese exporters, the Tariff Commission ruled that the domestic television industry was being hurt by imports of Japanese sets which sold for less than the prices of identical sets in Japan.

This was classic "dumping" and the Commission acted.

Special "dumping" duties were applied to sets sold at unfair prices. The duties were made retroactive for seven months.

Here again, it was found that turning to sweeping restrictions on trade was not necessary.

A Massachusetts shoe firm not long ago proved to the Tariff Commission that its income was down due to imports. A study showed that in 10 years, foreign shoes' share of the U. S. market had increased from 5 to 33 per cent. A net loss of 113 shoe companies resulted from the flood of imports.

The Massachusetts company got a low-interest, long-term government loan. It received market and development research assistance through the Economic Development Administration and was allowed to extend carry-back income tax provisions beyond the regular period.

Again, there was no need to resort to rebuilding of tariff barriers.

Such cases of direct or indirect assistance for American companies whose lives are threatened by imports have been taking place amid the furor over international trade protectionism, with agitation in some quarters for far more in the way of duties, quotas and other import restrictions, and even the blocking of some imports entirely.

The assistance has been given under a set of internationally acceptable and strictly legal arrangements. Many businessmen know little about them.

It's likely that if more were known about "adjustment assistance," "escape clauses," and the Trade Expansion Act of 1962, Anti-Dumping Act of 1921, Tariff Act of 1930, and Agricultural Adjustment Act of 1933 there would be far less agitation for protectionism.

A businessman should know that:

IF foreign products are dumped on the U. S. market at prices below those prevailing in the country where they originate, and an American producer is thereby injured, he should file a complaint with the Commissioner of Customs, Treasury Department. An investigation follows and if dumping is found to exist the case is handed to the Tariff Commission. It investigates and if it so recommends, the President of the United States eventually can impose special dumping duties in addition to normal customs duties on the items.

IF a foreign country seriously injures an American firm by excessive exports to the United States, the American firm should file a petition on Form 301 F with the Tariff Commission. If the Commission decides the petition is justified, the firm will be certified to the Department of Commerce, where the Adjustment Assistance Office is prepared to help.

This help can be technical, financial or take the form of a tax break.

Technical assistance may consist of providing information and underwriting research or retraining, all of which is aimed at helping the company readjust to other lines of work.

Financial assistance is available in the form of loans or guarantees of loans. Such aid is to be used by the company for acquisition or for expansion of fixed capital. In cases determined to be exceptional, this aid may be used for working capital.

Tax assistance would permit a company to carry back a net operating loss to each of the five taxable years preceding the year of loss, rather than just three years as provided under the Internal Revenue Code of 1954.

Adjustment assistance of various sorts is also available for individual workers, groups of workers and in certain cases for whole industries.

IF a foreign producer or American importer violates a patent or engages in unfair competition in the importation of articles to the United States, the American whose business is injured should ask the Tariff Commission to investigate under Section 337, Tariff Act of 1930. The Commission advises the President and if unfair competition is established the President can exclude the offending articles from the United States.

IF a foreign country seriously injures or threatens to seriously injure American industries by excessive exports to the United States under prior tariff concessions, the American businessmen should petition the Tariff Commission for tariff adjustment. This is the basic "escape clause" situation. The petition should be filed on behalf of the entire industry, not individual companies.

This is provided for under Section

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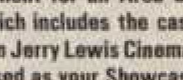

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Lifelines for Import Victims *continued*

351 of the Tariff Expansion Act of 1962 and the Tariff Commission's Rules of Practice and Procedure. Once serious injury is established by the Commission, the President can raise tariffs on the foreign items, impose quotas, negotiate international agreements or provide adjustment assistance.

The objective is not to bar foreign products, but to protect U. S. firms against unfair or crippling competition.

IF a foreign country's shipments of particular items are so large and so dominate the American market that the security of the United States is threatened—due to a threat to the health of the domestic industry—the American businessman should ask an investigation by the director of the Office of Emergency Preparedness. If the director agrees with the businessman's claim that his company or industry is in danger of obliteration—and that dangers also exist for the security of the United States itself—the director will advise the President, who can then increase tariffs or impose quotas on those items so as to control the level of imports.

An example would be such huge imports of oil that the domestic oil industry would be threatened. The United States must have a domestic oil supply and industry for national security. So imports would be curbed to boost domestic production.

IF a foreign country interferes with American agricultural price support programs by shipping excessive exports to the United States, the American businessman should complain to the Secretary of Agriculture. If the Secretary agrees that damage has been done he notifies the President, who instructs the Tariff Commission to make a full investigation, including public hearings, and report back to him. If, however, the Secretary of Agriculture recommends emergency action, the President, without awaiting the Tariff Commission's Report, can impose fees or quotas in addition to the basic duty.

IF a foreign country subsidizes exports to the United States to such an extent that U. S. production of those same items is put at a serious disadvantage, the American businessman should complain to the Bureau of Customs and ask for an investigation. If his facts are proven, the President can impose a countervailing duty equal to the subsidy, in addition to the normal customs duty.

IF a foreign country imposes unreasonable or illegal restrictions on exports of an American company or industry, the American businessman can apply to the White House's Trade Information Committee, Office of the Special Trade Representative, and ask for help under Section 252 of the 1962 Trade Expansion Act. If the situation isn't corrected after hearings and negotiations, the President can withdraw trade concessions granted to the offending country, thereby raising U. S. duties.

Where foreign restrictions affect U. S. farm exports, quotas and higher duties may be imposed on foreign imports to the United States.

IF a foreign country imposes discriminatory restrictions or charges on U. S. export items entering that country, the American businessman who does the exporting should apply to the Tariff Commission for an investigation. If facts are proven, the President can impose retaliatory higher tariffs (up to 50 per cent of invoice value) or other forms of restrictions on foreign imports equivalent to the level of foreign discrimination.

Some processes to gain relief require as much as three years. Others need only a few weeks for settlement.

Members of the Tariff Commission are nominated by the President and serve six-year terms. The Commission numbers six, although vacancies often reduce it to five. Present members are Glenn W. Sutton, presiding commissioner; Bruce E. Clubb; Will E. Leonard Jr.; George M. Moore and Jay Banks Young.

The Commission is dispensing considerably more relief from unfair trade behavior by foreigners than it did in the 1960s.

For example, between 1962 and mid-1969, 28 cases were brought before the Commission with requests for adjustment assistance. None was found to be justified and no relief was granted. Since mid-1969 there have been 104 petitions, of which 47 were found to be justified (47 were disallowed, nine are pending and one was withdrawn).

It is believed in many business and governmental circles that improvements in the administration of laws to protect American businessmen against the effects of excessive or unfair foreign competition could make the laws more effective.

As a beginning, many advocate that administration of the laws should be concentrated in one agency instead of divided among several as is presently the case. And that such an agency should be a fact-finding, independent body along the lines of the Tariff Commission, which would help it to make objective decisions and be less subject to special interest pressures.

It is further urged that the agency should operate on complaints in a speedier fashion and have the power of final decision subject to appeal to the courts. An exception to this would be in cases involving national security, when the President would act.

In any event, whether or not changes in administering the laws are advisable, it is obvious there is no shortage of such laws. END

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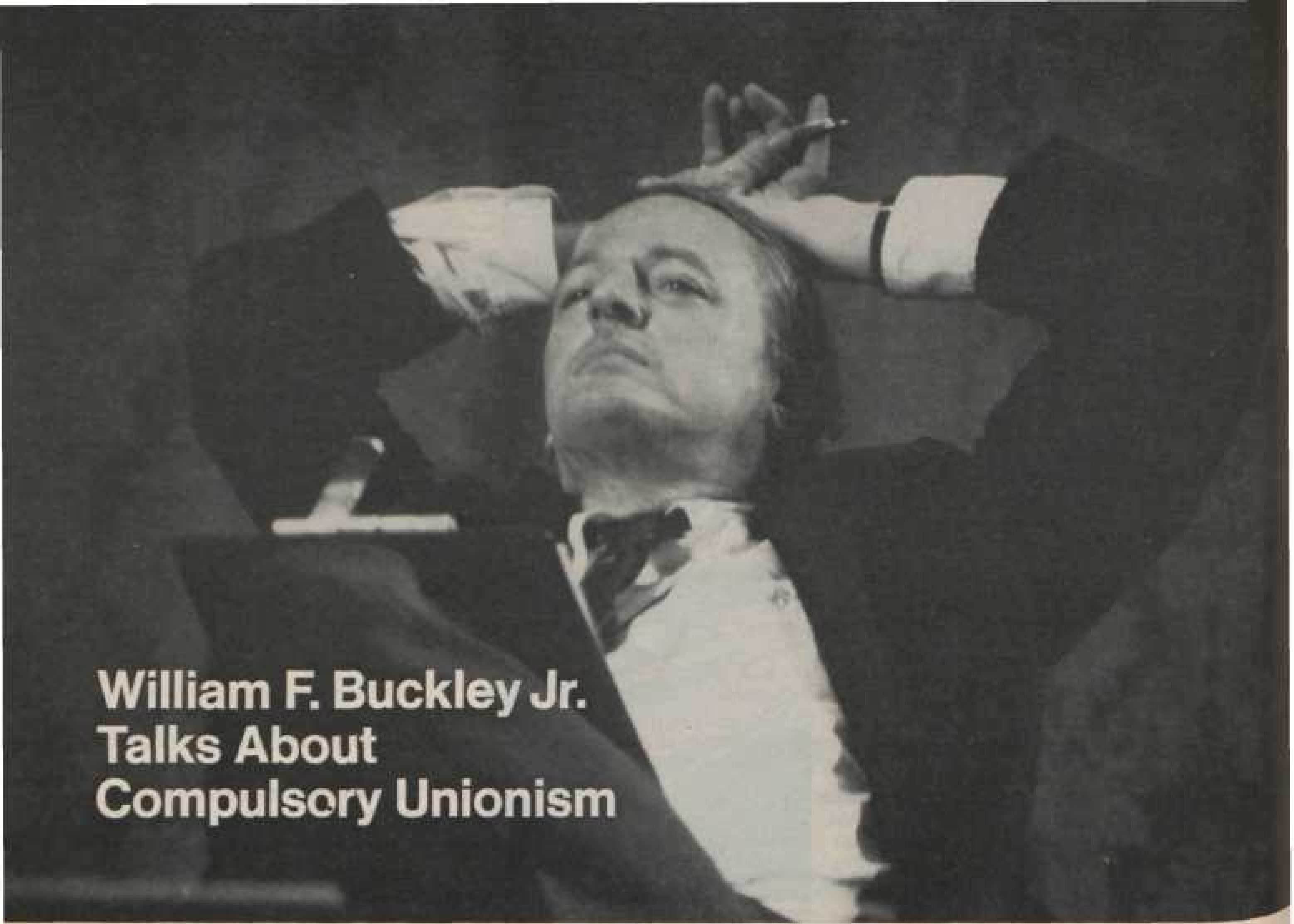

PHOTOS: JOHN MESSINA—BLACK STAR

William F. Buckley Jr. Talks About Compulsory Unionism

The noted writer and host of the TV show "Firing Line" tells why he is doing battle with a union which forced him to join it, and won't let him quit, on penalty of being kept off the air

William F. Buckley Jr. is one of the most articulate voices of the conservative cause in America, championing individual responsibilities and rights.

He has a variety of outlets—a column that appears in over 300 newspapers; the magazine, *National Review*, which he founded; books; the lecture circuit and his television interview show, "Firing Line."

Many of his fans think Mr. Buckley is at his best on television, where his gestures and facial expressions underline his sharp wit and mastery of the English language.

But he's appeared on his show since its beginning under a particularly rankling condition—that he belong to a labor union or be barred, in effect, from appearing on television.

Now, he is counterattacking.

Mr. Buckley has filed a federal court suit challenging the constitutionality of collective bargaining agreements that make him an involuntary member of the American Federation of Television and Radio Artists (AFTRA), an AFL-CIO union.

"A writ of indenture" is what he calls his compulsory unionism.

The National Right to Work Legal Defense Foundation is backing him in the suit, and he's invited other radio and television personalities to join him in the battle.

He discusses the court case, and his views on some other issues, in this interview with a NATION'S BUSINESS editor.

Mr. Buckley, why have you brought this suit against compulsory unionism?

Well, the basic argument is an extremely simple one—that the right of free speech is especially singled out for protection by the First Amendment to the Constitution of the United States; that it is inconceivable that the Constitution, having forbidden to Congress the right to encumber one's freedom of speech, should permit Congress to pass a law

which, in turn, allows somebody else to encumber freedom of speech.

We take the position that what Congress can't do, AFTRA can't. And therefore, if AFTRA interprets a law of Congress as enabling it to do just that, either it has misinterpreted the law or the law as passed was unconstitutional.

Were there other grounds in addition to the First Amendment rights?

Yes—the right of association, the right to pursue an occupation of your own choice, and deprivation of liberty and property without due process of law.

What is your opinion of compulsory unionism in general, in addition to that in radio and television?

I am opposed to it. I am opposed to all monopolies and oligopolies. I have written over the years, spoken over the years, in opposition to compulsory anything where there is a practical alternative.

What was the genesis of your program, "Firing Line"? Why did you want to become host of a television talk show?

To ventilate the conservative point of view.

Did you think the talk shows then on the air went too far in the liberal direction?

I didn't think, I knew. I had been on all of them, and I saw them.

Your show went on the air in 1966. At what point did AFTRA arrive on the scene?

AFTRA arrived in the fall of 1964. The AFTRA people called up and told my secretary that I must join.

Why did they call that early?

I suppose they got word of the idea for the talk show. In 1964, Robert Kline, who is an independent producer, got a backer who agreed to finance a half-dozen trial balloons, using facilities at the New York World's Fair. We did three or four, after which the backer pulled out.

What happened?

He was terribly disappointed because his idea of a successful confrontation between me and Arthur Schlesinger Jr. was one that ended with Schlesinger throwing his arms in the air and saying, "I apologize for all of my sins."

Since it didn't work quite that way, the backer lost interest, and the show didn't go on the air. Kline went around to look for other backers and had it just about organized when I decided to run for mayor of New York. So the whole thing was put in abeyance for one year.

Was the AFTRA issue also put in abeyance?

No. AFTRA renewed its demands in the spring of '65 and told me I had to join.

But the show, at that point, had never appeared on the air?

No, but AFTRA had heard it was going to be launched. And, because I made guest appearances on other shows, I was told I must join AFTRA irrespective of whether the "Firing Line" series *ever* went on the air.

What was your reaction to that?

A negative one. I called up the greatest lawyer in the world. He said I had to join; i.e., that they had the raw power to keep me from broadcasting. So it was simply a matter of acquiescing or being read out of the medium.

What did the union promise to do in your behalf? What benefits were supposed to flow to you from your membership?

I didn't read all their stuff, but essentially what they said was that they would negotiate a basic rate and I would never get paid less.

That, as a matter of fact, was a solid contribution because I usually wasn't paid anything at all.

But I have always maintained that if I want to go on the air for nothing, I should be permitted to do so, and that if I want to get paid, I have a right to negotiate my own honorarium.

What initiation fee did you have to pay when you joined?

$200.

Is AFTRA engaged in activities that you object to?

Sure.

Does it support causes, for example, that you oppose?

I am not aware whether it suggests to its conscript membership that they ought to vote for this guy or vote for

that guy or whether it gives some sort of subterranean help to this guy or that guy.

But it is very active, for instance, in pressing its demands. AFTRA called a strike two or three years ago which had us all listening to network vice presidents giving the news and the weather reports.

So AFTRA is not above using muscle in order to press demands, nor above disciplining those members who are less than fully compliant with instructions.

When AFTRA says, "Get on the picket line tomorrow," they mean: "Get on the picket line tomorrow." And when they say, "Don't cross it," they mean: "Don't cross it." And they are capable of inflicting draconian penalties on anybody who is disobedient.

You have referred to this form of compulsory unionism as "a writ of indenture." What do you mean by that?

I mean that the AFTRA people have a total hold over me which they are unilaterally in a position to use. Without consulting me, they can tell me what I can't do. They can tell me that the only alternative I have is simply to stop using facilities which some people think of as at least semipublic in nature.

At one point, you tried to resign from AFTRA. What was the outcome?

I sent representatives who told AFTRA I wanted to resign and asked would they permit me to do so. They said they would not.

So my colleagues asked, "Would you run him off the air if he did?" The answer was that if I withdrew from the union, AFTRA would instruct stations with which it has contracts—which is, for all intents and purposes, all stations—to stop broadcasting "Firing Line."

So the next step was the filing of the lawsuit last January. Did anything specific bring it to a head?

No. The timing was, to a considerable extent, a matter of backing. I had been in negotiation with various people over a period of two or three years on getting the backing to bring the suit. It was and is impossible to foretell exactly how much it is going to cost. And I was not in a mood to pledge my entire financial future, on which *National Review* depends, to the cost of this lawsuit.

So, I didn't want to go into it unless I knew that the backing would be forthcoming. That took a long time and a very careful examination of the constitutional issues involved in my case. And, when finally everything did check out, I don't think we delayed very much. The lawsuit was filed two or three months after we decided that everything was O. K.

You have invited other commentators, particularly liberals who have been outspoken in defense of First Amendment rights and other liberties, to join you in this suit. What type of response have you received from them?

Sluggish. Eric Sevareid of CBS reported on Jan. 21 that he had asked his lawyers to look into the documents of the case. He must have slower lawyers than I have because, so far as I am aware, they haven't yet advised him. At least, he hasn't said Yes and he hasn't said No.

We've had, however, very direct action from one or two people—Nat Hentoff, the liberal author and columnist for *The Village Voice*, for instance, and James Jackson Kilpatrick, who writes from the conservative viewpoint. Tom Wicker of *The New York Times* sent me $50 and authorized me to advertise the fact he had done so.

I think a lot of liberals are really vexed. On the one hand, they have the tradition of permitting labor unions to do anything they want to do—because of a sort of class identification between liberals and the labor movement. On the other hand, they are visibly upset by the lucidity of the reasoning in this lawsuit. And that is why there is torment.

The New York Times can't write about it coherently, so confused are they by it.

The American Civil Liberties Union, which has long held that there is no violation of constitutional rights in union shop arrangements, has said it would review its position in the light of your suit. Have you heard any more from the ACLU?

No, I haven't. But I know it is going to be an uphill fight to get its support.

My guess is that the executive director of the ACLU is favorably disposed to this case, but that he is going to face a lot of trouble from those old trade union types who put in a lot of money to keep ACLU alive. Never mind the Bill of Rights, they aren't going to want to see themselves identified with anything as scabbish as this.

Do you see a conflict here between the ACLU's basic avowed purpose of protecting individual rights and the coercion involved in compulsory unionism such as a union shop?

Yes, yes. The ACLU does a lot of foolish things and has often attempted to absolutize the provisions of the Bill of Rights. If you do that, it seems to me, you pretty well make them

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William F. Buckley Jr. *continued*

incoherent. But I don't think it requires the absolutization of the First Amendment to reach the conclusion that nobody ought to be required to belong to any organization in order to appear on television or radio and say whether he is for or against the Common Market.

What sort of public response have you had to your suit?

I am just back from a lecture trip and I went nowhere on 10 college campuses where the subject wasn't raised.

There is an extraordinary knowledge of the lawsuit all over the country and a tremendous amount of curiosity about it. The students are fascinated by it.

They think it is perfectly O. K. to take a position contrary to the labor union. This doesn't make you a scab or a fascist, or anything of the sort, in their minds. It may very well be that that is because the younger generation is less identified with the labor unions as a matter of class solidarity.

What other impressions did you glean on your trip about the mood of students, after the upheavals of the past two or three years?

I have a feeling that students are less sold than they were a year ago on the utility of demonstrations. They know that the Viet Nam war is winding down, and they know that they didn't have a hell of a lot to do with it—it was winding down anyway.

Also, I think there probably is a certain sense of embarrassment over the lengths they went to in protesting the Cambodia incursion, which turned out to be a rather conventional military operation. All their apocalyptic talk in May of last year now sort of drifts around like fugitive mines after the war's end. And there are those of us mean enough to remind them of those mines.

It doesn't mean that students are now all integrated with the Administration. They don't like Nixon, they don't like Reagan, they don't like the Establishment, as I understand it. But I think they are less disposed than they were to sort of move around

licentiously and figure they can ring in a new order.

As a television personality yourself, how do you react when the Vice President and others question the objectivity of some of the news media, particularly network television?

I think it is the greatest redundancy in the history of our time. It has been obvious to me for a great many years that the networks tend to be biased. It is more interesting to observe the reactions than the charge.

In what way are the networks biased?

Liberal; a left-liberal position.

If you could implement just one change in the way that television news and commentary is given, what would it be?

I would encourage a conscious search for intelligent and well-informed people who don't go along with the *Zeitgeist*, who would be on the air on a fairly regular basis.

For instance, Howard K. Smith—who dissented from the general opposition to Viet Nam—made an enormous difference in just the fact that he was there occasionally to say a few things on ABC.

I wish there were somebody like that to put other issues into focus on all the networks. END

LESSONS OF LEADERSHIP

PART LXXIII

Charles Kellstadt of General Development Corp.

Motto for the later years: "Don't rust out"

Charles H. Kellstadt thinks he has had one of the most satisfying lives anyone ever had.

He's 74 now and can look back on long, fruitful, happy years doing what he likes to do most—that is, selling things.

Behind him is one career and now he's in a second. The achievements of either career would stamp any man a tremendous success in business.

Charles Kellstadt, sometimes called "Mr. K," reached his first career peak in 1958 when he was made president of Sears, Roebuck and Co. Two years later he rose even higher, becoming chairman of Sears. In 1962 he retired from Sears, but within a few months was back in business—this time selling land, housing and good living as chairman and chief executive officer for General Development Corp. of Miami, Fla.

Today, he spends part of each year—the colder months, of course—in Miami. He summers in Chicago, which keeps him in touch with old friends and with his old company.

Until the spring of 1970, he also kept in touch with Sears through its profit sharing and pension fund.

He was chairman of the fund's trustees until May, 1967, and later headed its investment committee.

Mr. Kellstadt began his business life driving a horse and wagon, delivering shoes in Columbus, Ohio. He joined Sears in Chicago in 1932, after 20 years' continuous experience in retailing—12 of them in senior management of independent stores.

Along the line in business he has learned so much about merchandising, and about people, that his talents are still in demand by many well known firms. He's on a number of boards of directors. Mr. Kellstadt never stops working.

Here he talks with a NATION'S BUSINESS editor about a life in which leadership has been a basic ingredient.

Mr. Kellstadt, did you ever feel the urge to rebel?

Oh, I might as well be candid with you, I have been a nonconformist all my life. I just don't follow the pattern willy-nilly.

What were your best two or three moments while you were with Sears?

The day I joined the company was thrilling to me. I analyzed Sears for a year before I joined, and as a result I was imbued with the idea that it was a great company.

It did a relatively small volume then, something about $300 million. And I felt I could make a contribution and was very eager to do it.

The second thrill was when I became director. I wasn't an officer, then, and it indicated to me that my judgment was thought to be of some value.

The third was when I was made chairman. I had dedicated my life to retailing and Sears is the biggest and best retail business in the world.

What were your worst moments with Sears?

The days of the Depression when you opened the store and nobody

came in. You sold three women's dresses for a dollar, and men's shirts two for a dollar, then, and you felt you were really doing something for someone. Everybody went to work in the morning with a rapid heart.

But we paid our people in cash, and I managed to raise salaries. Not much, but a little. It at least gave the people confidence.

One of the very great assets a company has is its people. Loyalty marks the good people.

Once, long before I joined Sears, I was working in Columbus, Ohio, driving a shoe repair wagon. I was only 14. There were no laws then; boys could drive. You didn't have to get a permit or go to the union, and you never asked how much you were going to get paid.

I had to get up at five o'clock in the morning and sweep out the place, harness the horse, go get the shoes, deliver them. Suddenly the boss asked me, "If I bought a Ford car, do you think you could drive it?" I said, "Sure."

So he taught me to drive and I got a raise of 50 cents a week by progressing from driver of a horse and wagon to driver of a Ford car.

When you tell young people about this today they just don't know what you are talking about.

One other summer I got a job working in a Columbus wholesale house. They sold curtains and draperies and piece goods.

I had come along quite a way. I was in high school. So I got this job and they were going to pay me $20 a month. Now, $20 a month was pretty good for a fellow 15 years old. But I was still pretty careful about my money.

Carfare was three cents. I figured if I got up early enough I could walk to work and back home at night. It was six cents saved. That's 30 cents a week.

So I walked, and the first day there was this big fellow who checked you in. I arrived at 8:01. You were supposed to be there at eight o'clock. When they gave me my pay they docked me a dime. So I saved three cents and it cost me a dime. That was a letdown.

Mr. Kellstadt, you have come up through the ranks. When did you realize you would hit it big?

As a matter of fact, I never felt that I hit it big at any time. This may be a very funny statement to make, but I just did whatever my assignment was, as well as I knew how. When they had another job ahead, if they gave it to me, fine; if they didn't, it was all right with me.

I have always been extremely happy in whatever I was doing.

I went to work on Dec. 4, 1911, in Columbus as a part-time worker while I was going to school. I wrapped packages at the Union Co. After a while I wanted to get into this store arrangement business.

In 1917 I was offered a position in Charleston, W. Va., and I took it. My wife's health wasn't very good at that time, and I soon decided to go to Akron. There I was offered my first chance to operate a store, in 1919.

After a while I figured that I had this clothing business experience but I was limited. If I was going to go on up, I was going to have to learn the other side of the business—the home furnishings and all the other things that went with stores.

So when a fellow offered me a position as an advertising sales manager of a home furnishings store in Cleveland, I took it.

The fact of the matter is, I told him I was a little older than I was at the time. I was only 25 and told him I was 30. And I thought as he looked at me he looked rather funny. Maybe I didn't look 30.

But at any rate he gave me the assignment and I was there 11 years. I succeeded him as head of that enterprise and was there until Sears offered me a position.

I thought, "Gee, if anything that makes sense is going to happen in the retail distribution system, this is it. Sears is moving out of the downtown area. These fellows have the right idea."

By a stroke of good luck they asked me to stay in Cleveland, and I did. And I was extremely happy there for 14 years.

I was asked twice to run for mayor of Cleveland. I turned it down. And they said, "For gosh sakes, what is your ambition?" And I said, "I want to run a good store." Later, Sears said I had to come to Chicago and take a more important assignment. And so I was made general retail merchandise manager.

Still later they divided the country up into various territories, and I was given the South and moved to Atlanta. I was particularly proud to go down there because I like the South very much. I planned to stay there forever.

When they wanted me back in Chicago to be president, eight years later, I wasn't so sure. But as my wife said, "Well, you'd better go. You have fulfilled your ambition."

Tell us something about General Development.

General Development is a remainder corporation of several companies formed years ago which operated under several names.

It apparently started without too much market and credit study. Result was it ran into some difficulties and a friend of mine who had quite a little bit of money invested in it asked me if I would be a member of the board.

I discovered some of the troubles. Then I was asked to become chief executive officer.

General Development is now an integrated development corporation. We own Florida land and build communities. We do our own community planning. We build shopping centers, all our roads and most of the utilities.

Last fiscal year we did over $120 million, and this year we hope to do approximately $135 million.

I make the analogy of the home town of my parents, Circleville, Ohio. It was founded in the late 1700s. It has grown to about 12,000 population.

Our Port Charlotte, Fla., actually was started in 1956, and in 15 years we have over 20,000. We laid it out

properly and encouraged all the things that go with it—hospital, medical unit, recreation.

Do you recommend second careers in your 60s?

My admonition from my mother was "Wear out, don't rust out." I believe in second careers because I don't think anyone should stop working. My friends who have stopped working deteriorate fast, and I think men should be kept active, both mentally and physically, as long as they are able to go.

I think separate and different careers keep your interest up.

Separate and different?

Yes. In other words, I wouldn't want to continue to be a retailer. I would rather get into something different. I had the idea that I would go into banking, because finance had always intrigued me and I'd made an avocation out of it—all kinds of financing and financial structures and so forth.

But General Development came up and it is just as exciting.

What do you do now besides your work at General Development?

I am a member of several boards—Stewart-Warner, Delta Air Lines, Scott Paper—and of the advisory group of the Chemical Bank of New York.

I have taken over the job of chairman of the board of "Invest-in-America," which tries to encourage people to put more of themselves into the country. If, at the same time, they buy a little stock that is fine. But that is not the real purpose.

The purpose is to encourage people not to stand off and knock America, but to get in the middle and invest their time.

Headquarters are in Philadelphia, and there are going to be chapters around the country.

Do you recall any really funny incidents from your business life?

There was one particularly funny case in Chicago in the 1940s.

A prominent Chicago doctor had a farm in Wisconsin. He got the Sears catalog out and ordered some farm goods. Through either a mistake by the company or the way he addressed the order, instead of delivering the goods to his farm the company delivered it to his very beautiful home—put it in his front yard in Chicago. He was as mad as he could be. There in his yard were a manure spreader, a gang plow and a big tiller.

Well, there was a farmer's club or something in town and T. J. Carney, who was then president of Sears, took the supervisor of the farm implement department to lunch at the club one day. And as luck would have it, they sat at the same table with the doctor.

The doctor jumped all over Mr. Carney, who apologized and said he would take care of everything.

So they got all the dope and the supervisor hustled out to the plant and placed the new order and gave positive delivery instructions.

And the company delivered the order to the same front yard again—another set of huge farm machines.

The truck driver refused to take any of the machines back because he didn't have a pickup order. So the doctor had two orders on his front lawn. Mr. Carney was fit to be tied.

Who were Mr. Sears and Mr. Roebuck?

Richard Sears was a railway station agent at Redwood Falls, Minn., in the early 1880s. He did all sorts of jobs and handled the mail. He also handled express.

One day there was a shipment of watches for the local jeweler, who couldn't pay for the C. O. D. The watches were refused and Sears was about to return them to the store when an idea occurred to him.

Why couldn't he sell these watches to his friends? After all, they all were railroad men.

So he wrote to the shipper and said, "Instead of returning these watches, why not let me have them on consignment?"

He sold the watches. He sold other watches—enough to leave his station agent's job and open up a mail order business selling watches.

He sold so many he needed a watchmaker. So he advertised. Mr. Alvah C. Roebuck showed up and applied for the job. But he wouldn't join unless he was given part of the business. So Mr. Sears made him a partner on a very limited basis.

They moved to Minneapolis and got other merchandise. Eventually they began to print catalogs. As the years passed, Roebuck was sure the enterprise wasn't going to last, so he sold out for something like $70,000.

Then, Sears and Mr. Julius Rosenwald joined together. Rosenwald was a merchant. Sears was a great seller. Some of his sales techniques would be frowned on today.

Rosenwald bought in and became vice president. Later on he bought out Sears for $10 million.

Have you ever relaxed?

My doctor said I never did. My wife says I don't either.

What about vacations?

In 1956 my wife and I took a six-week trip to Europe, I relaxed on that a little, maybe. But I wrote a daily report back to the folks.

While I was away one of my assistants took over and he said, "I'm going to get the biggest business increase while you are gone." By golly, he did. I didn't know it until I got back.

I don't know what people mean by relaxation. Just sit around kind of numb? I don't do that.

Mr. Kellstadt, you don't drink?

Oh, I have a highball once in a while, but I don't enjoy whiskey. If I get jockeyed into a position where I get too conspicuous, well, I will have something. David Kennedy [former Secretary of the Treasury, now an ambassador-at-large], who is a friend of mine, doesn't drink either. We finally figured out we could get a glass of quinine water and put stuff in there—olives and lemon peel, you know.

You used to make speeches and you


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Lessons of Leadership: Charles Kellstadt

continued

often outlined 12 things to remember. What are they?

The value of time.

The success of perseverance.

Do not be discouraged, no matter what the problems seem to be.

Get great pleasure out of your work. If one doesn't get pleasure out of his work, boy, that is bad.

The dignity of simplicity. Too many people want to dress up things beyond their worth and really destroy what worth they have.

The worth of character.

The power of kindness.

You must set the standard.

The obligation, duty and wisdom of economy.

The virtue of patience. There is nothing in this world that is more important right now than patience.

The improvement of talent.

The sincere and real joy of originating something.

Mr. Kellstadt, you have quoted historian Arnold Toynbee as noting that great democracies last less than 200 years, generally. We are coming up to our two hundredth birthday in 1976. Are we about finished?

This is going to be the exception to Mr. Toynbee's historical data. I believe that once we get by this Indo-China war, this democracy will take on new vitality and last indefinitely. It has enough of what democracy really stands for to perpetuate it.

There has been something of a change in direction. We once felt everybody was entitled to a college education. The result, in my opinion, is that a number of people have gone to college who shouldn't have. They are psychiatric problems.

The process we go through in this democracy will, in my opinion, reduce them in importance. The great number of students who are going to college to learn and who are qualified to be there in the first place will be the ones who will speak out.

Viet Nam, racial violence, student rebellion, drugs, and loss of pride and integrity in work are major problems today. What are your solutions?

Insofar as the present war is concerned, I do believe the government is trying to get out of it. I would be in favor of accelerating the withdrawal of our troops if the President and his close advisers didn't find too great a risk in accomplishing it.

Student rebellion will be modified by what I stated before. There is this limited group, this minority that is well-organized and hell-bent on destroying the government. In my opinion it will be reduced in importance.

We have to have more dynamic and positive leadership by presidents and boards of the colleges. You will notice that where there has been a president and a board who stood for high standards, and willingness to change where change has been considered advisable for advancement, we have had very little trouble.

The drug situation is a sad one. I have been unfortunate—the Lord didn't bless me with any children. But I notice those of my friends.

If in the home the children have been a part of the family as they have grown up, I haven't seen any drug problems. It seems to me where the parents do not conduct themselves as they expect the children to do, they can't expect anything from the children.

I am not too sure as to what should be done about loss of pride and integrity among workers and executives. But I am appalled at times at the lack of positiveness in the leadership of the top executives in the big corporations. Much of this comes about because the men are not trained for the jobs they have.

What three men in American business history do you admire most, and why?

The man I admire most is the late Gen. Robert E. Wood of Sears. I joined the company because of him, and respected his leadership and knowledge all through my career.

The Bank of America's A. P. Giannini was a financial man of the people. He built himself up from the bottom and when the people needed money he made it available to them.

There are a number of motor car men that I have read about over the years. Those and John Patterson of the National Cash Register Co., who was a very great salesman, and Tom Watson Sr. of IBM.

My top three, I would say, are Gen. Wood, John Patterson and Tom Watson.

What do you look for in a young man which stamps him as a potential executive?

He has to have a good basic formal education.

He has to have experience in things other than the learning process, something to do with people. If he is married, he has to show he is a good family man.

Now take a man in the middle reaches of company ranks. What are things that would qualify him for promotion?

If he is honest with the people with whom he works and with his family, if he doesn't watch the clock, if he has zeal for doing the job better and if he has a desire for excellence in performance—that type of fellow stands out pretty well.

Also, if his community likes him, appreciates him, and sometimes respects him to the point of giving him jobs of individual leadership.

If he talks about his family, that's evidence that their relationship is good.

What are some good rules for upper level executives to live by?

Abandon the philosophy of don't do as I do, do as I say. Conduct yourself personally as you would expect others to. Have complete integrity. Be forthright in all the things. Don't take a job you don't understand how to handle.

Don't look upon a promotion as an advancement in the social structure but as an opportunity for greater service to the enterprise in which you are engaged.

Your work will speak louder than any rhetoric. END

REPRINTS *of "Lessons of Leadership: Part LXXIII—Charles Kellstadt of General Development Corp." may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Saving Old Buildings—and Money, Too

Denver's Larimer Square, which dates back to 1859 as a business area, fell into decay before the turn of the century and moldered until 1965. Then nearly $2 million went into a privately financed renovation project. Larimer Square is now a tourist attraction—an excellent business locality which appeals to aesthetic taste. Twenty shops and other firms call it home. Surrounding land values have risen steeply and the city gets good tax revenue on formerly derelict structures.

PHOTO: BRUCE McALLISTER—BLACK STAR

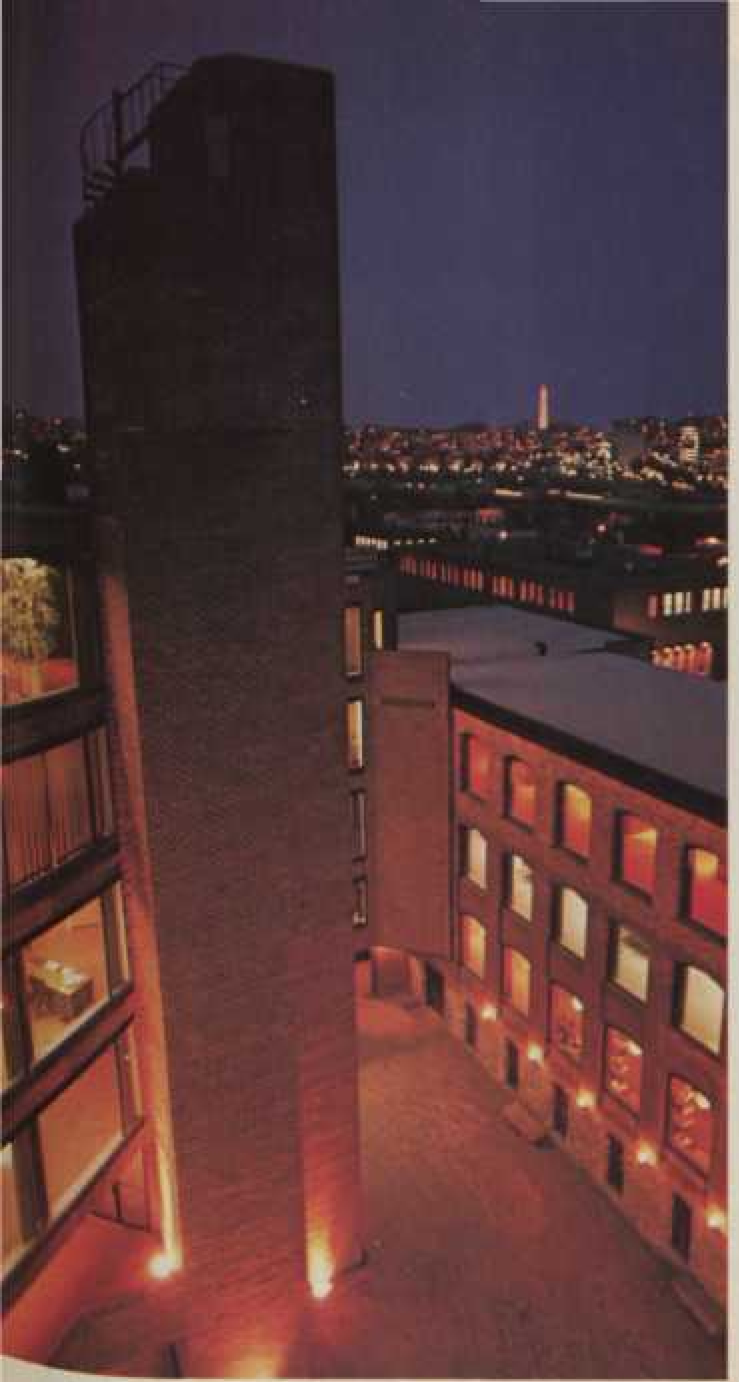
Houses in Philadelphia where Thomas Jefferson and Benjamin Franklin lived while they worked on the Declaration of Independence have been torn down. A hot dog stand has replaced one. In place of another is a parking lot.

In San Francisco, there are vacant lots, of no use to anyone, on sites where 150 years ago some of the history of the West was made.

Thousands of other old buildings, noted for their beauty, their architectural interest, their history, or all three, have fallen to the wrecker's ball in cities and towns in all sections of the country. It's too late to save them. They are gone.

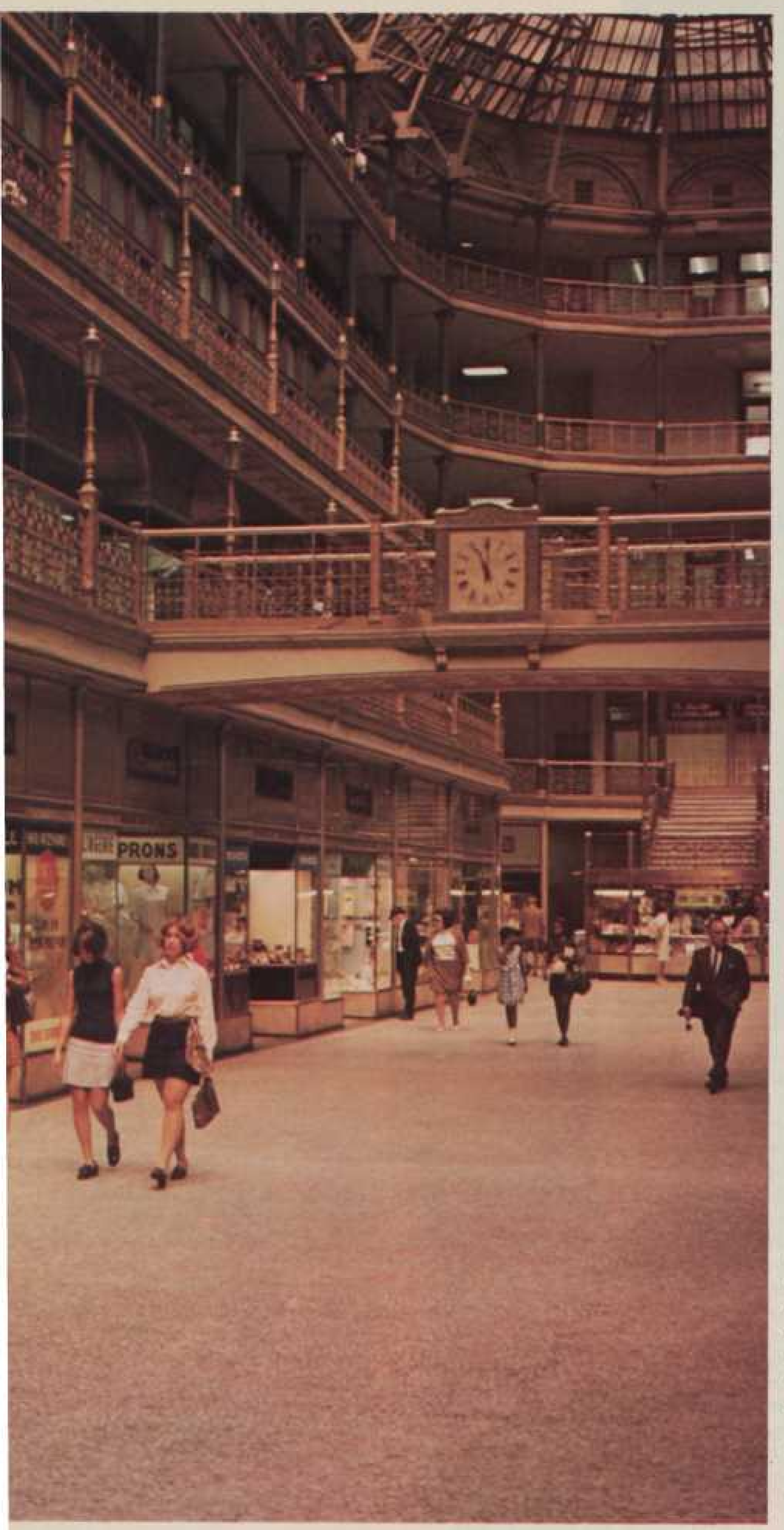
But other buildings like them are being preserved, not just by people with an academic interest in the past but by the practical men of business.

In recent years, many an executive has asked: Why not save graceful old



Night or day, a visit to rebuilt Canal Square, in the Georgetown section of the nation's capital, is something to remember. A short while ago, Canal Square was vacant—nothing more than an ugly, and rat-infested building beside the unused old Chesapeake and Ohio Canal. Washington architect Arthur Cotton Moore studied the oddly shaped structure, with its huge courtyard, and then interested real estate developers Charles Coyer and W. Burton Guy in forming Canal Square Association. The building was completely renovated for $17 a square foot (this compares with new office and shop construction costs of between $60 and $100 a square foot). Now, the 100,000-square-foot building is worth a reported $3 million and there's a waiting list of business and professional people who want to locate there. The Port of Georgetown Restaurant occupies most of the first floor. Beside it and on the other three levels are shops and offices.

Architectural awards and excellent business conditions have accrued since the transformation of Canal Square. The Nineteenth Century building was empty for years. Once it was a greeting card factory and once the home of a predecessor company of IBM. On a nice day, the courtyard is filled with slanting rays of sunshine while outside the waters of the historic Chesapeake and Ohio Canal slowly move past.



Few people in San Francisco believed a converted mill and old factory buildings would attract many shoppers, but they were wrong. Businessman William M. Roth paid \$2.5 million for an entire block, including the buildings. Another \$18 million went into restorations, new structures and an underground parking lot. Thousands of people work at Ghirardelli Square and many more thousands shop there.

The 80-year-old Cleveland Arcade has been in danger of demolishment many times, but always has been saved at the last moment. Today, 250 small and medium-size businesses occupy the colorful building, either facing the street or the interior with its high domed roof. The building was renovated for far less money than a new structure would have cost. Land values of nearby businesses have increased and a fine old Cleveland landmark is thriving.

Saving Old Buildings—and Money, Too *continued*

PHOTO: FRED KAPLAN—BLACK STAR

The Union Trust Office of Wells Fargo Bank, San Francisco, has one of the most beautiful interiors in America. Today, craftsmen rarely produce work as fine as this. Wells Fargo, which spent over $500,000 refurbishing the 60-year-old building, reports it never even thought of replacing it. Says James Biddle, president of the National Trust: "We must show that preservations can be good business to gain public support. We can elaborate on aesthetic values, but we need to talk cold, hard cash."

buildings and turn them to business use?

And as a result, company after company has been buying up aged properties, and remodeling them for modern purposes on the inside while restoring facades to their original attractiveness—often winding up with profitable structures which would have cost much more if built from scratch.

Scores of preservation and restoration organizations have sprung up, backed with donations from business leaders in every state.

The National Trust for Historic Preservation, a private organization chartered by Congress, is a catalyst on the national scene. The Trust, which receives a small appropriation from Congress under the Preservation Act of 1966, depends largely on donations from companies, individuals and foundations.

Headquartered in the Decatur House on Lafayette Square in Washington, the Trust owns 10 historic edifices which it keeps open for visitors.

But its main aim is to increase public interest in old buildings. The Trust gives advice on whether a structure is worth preserving. On request, it recommends architects to restorers, and aids in unearthing historical facts about buildings.

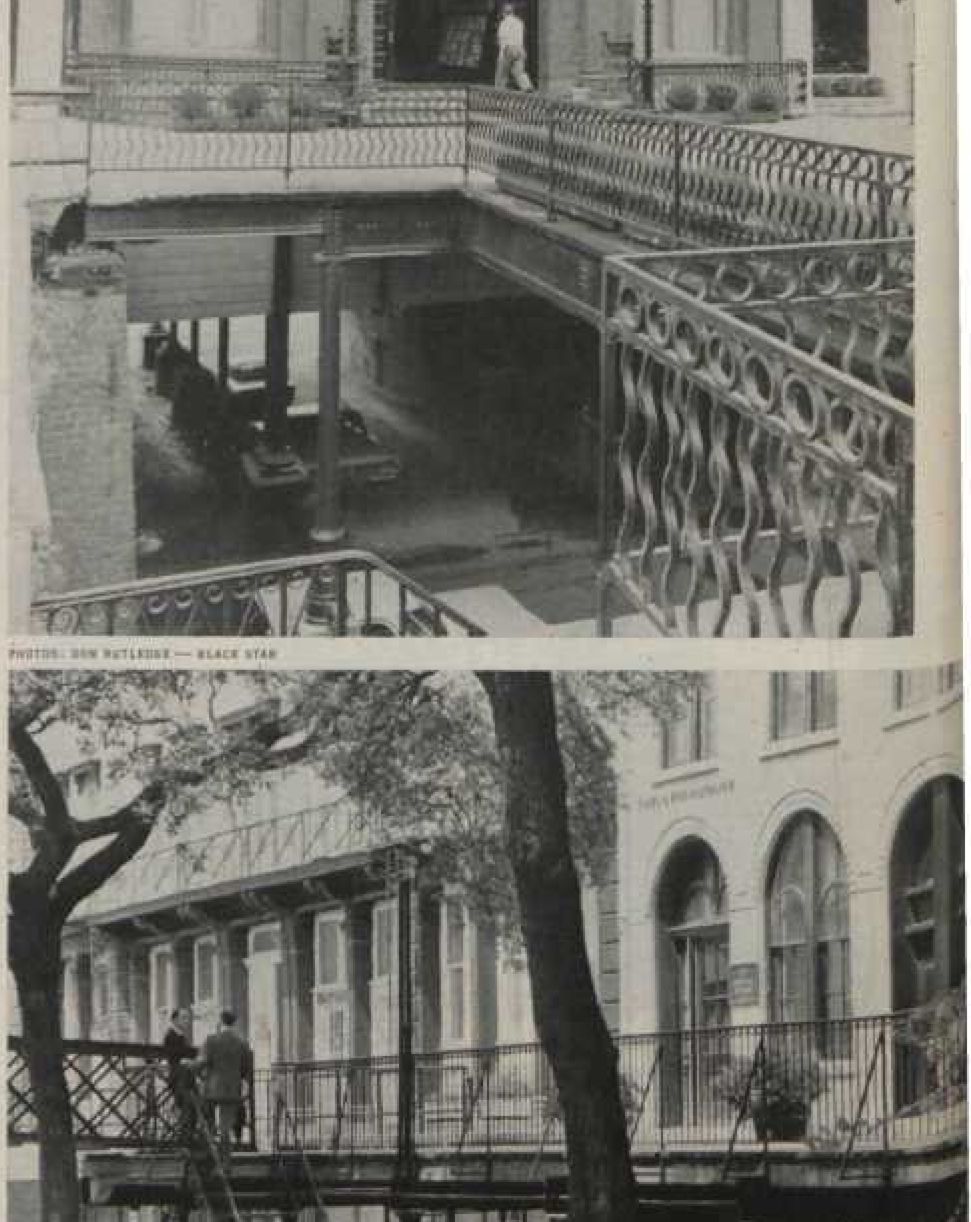
A guiding thought of the Trust is that preservation is for everyone—especially for businesses, which frequently want to locate in city areas where many old buildings stand.

The Trust has over 60 corporate members which actively participate and donate. They range in size from United States Steel Corp., R. J. Reynolds Industries, Sperry Rand Corp., Westinghouse Electric Corp., Grumman Aerospace Corp., Allied Chemical Corp. and Allis-Chalmers Manufacturing Co., to small regional companies.

NATION'S BUSINESS sent photographers out around the country, to record a few of the best restorations by American businesses. They could have made a thousand pictures of a thousand buildings.

Saving Old Buildings—and Money, Too *continued*

PHOTOS: DON RUTLEDGE — BLACK STAR

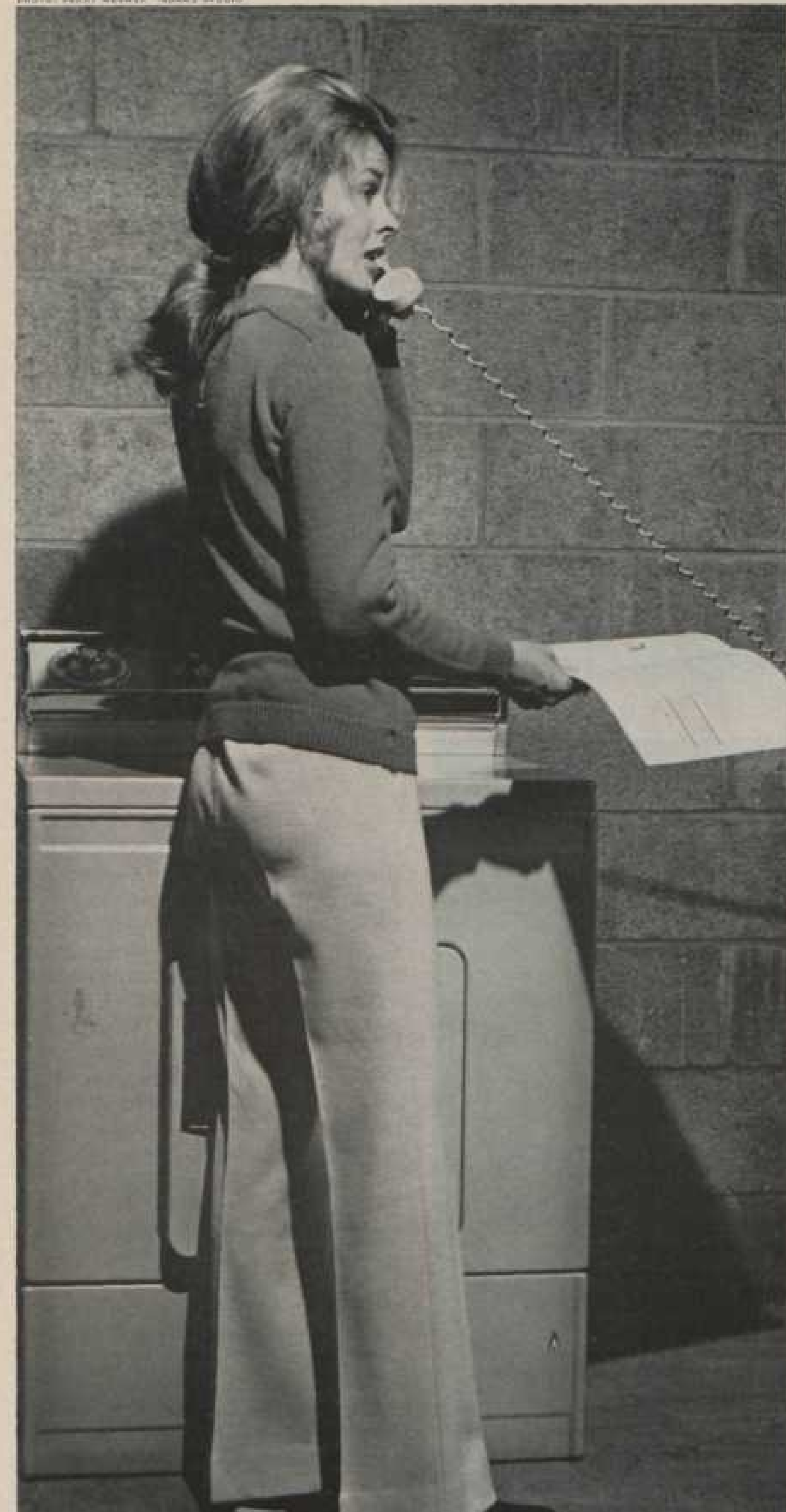


Often called "The Hysteric Savannah Foundation," the group that has sparked restoration in historic sections of Savannah, Ga., has done such a great job that few buildings remain to be restored. Factor's Walk is now a showpiece. Hundreds of businessmen backed the preservation drive and many occupy buildings along the elevated walkway. The Chamber of Commerce is in the 100-year-old Cotton Exchange overlooking the Savannah River. Restorations ordinarily take less than half the time required to put up new buildings. More than 50 per cent of old structures usually doesn't really deteriorate—that includes footings, outside walls and foundations.

Preservationists in Haverhill, Mass., used federal and local money to restore Haverhill Academy, built in 1827, to its graceful original lines. The picture on the left shows the building before a devastating fire of a few years ago and a recent restoration. On the right is the building as it stands today, complete with cleared cupola, weather vanes and 400-pound bell. Poet John Greenleaf Whittier went to school here after making shoes to pay his entry fee. The building is now occupied by Haverhill's Chamber of Commerce and United Fund.

François Seignouret, a veteran of the Battle of New Orleans in the War of 1812, built this lovely home in 1816 on Royal St. in New Orleans' French Quarter, the Vieux Carré. The building has since been many things, including a wine shop and a furniture store. Radio-TV station WDSU has had its offices here since 1949. Much of the structure looks like other modern office buildings, but the courtyard is pure old New Orleans and newscasters go there to practice running through their scripts. The tourist trade in New Orleans depends on such buildings as this to give visitors something to look at and take pictures of. And tourism, of course, is a very big business in the Crescent City.

END



A balky appliance is a major crisis for any housewife, but through Whirlpool's unique Cool-Line service, owners are only a toll-free telephone call away from a factory expert in St. Joseph, Mich.

Company Clout for the Consumer

Why all those efforts—like "Your Man in Detroit" and the "Cool-Line"—to pay more attention to individual customers? If nothing else, executives say, it's good business

If businessmen aren't going out of their way to listen to the consumer these days, they aren't with it.

At least that's what a growing number of executives throughout the country are saying. They are doing lots of listening—and they are getting verbal bouquets along with brickbats.

There is nothing new about customer relations specialists in American business.

But now, increasingly, major corporations and other enterprises are designating officials at the highest management levels to function as ombudsmen for the consumer.

Some of these officials even have authority to stop production lines as part of their charter to represent the buying public.

The list of companies putting top

PHOTO: TED ROZUMALSKI—BLACK STAR

With manuals for every Whirlpool appliance ever made at their fingertips, consumer consultants such as Richard A. Eva are able to take care of 75 per cent of the calls on the spot, frequently by going step-by-step through a manual with the caller.

managers on the consumer firing line grows daily.

So does the variety in techniques of communicating with the consumer. Whirlpool has the "Cool-Line," a nationwide toll-free telephone service that allows consumers with complaints, suggestions or questions on service to talk directly with consultants in a St. Joseph, Mich., office.

Motorola takes a somewhat different tack and contacts new Quasar color TV owners within 90 days after purchase to gauge customer satisfaction. Other firms, such as Chrysler, Ford and Travelers Insurance, have mounted extensive nationwide advertising campaigns to encourage consumers to write letters to the home office—and thousands have.

General Motors has opened, on a 90-day test basis, a consumer complaint office in Detroit that is organized much like a military command center. The initial target is the Chicago area. While there are no maps, flickering panels of lights or batteries of colonels and generals, there is a busy message center in which facsimile machines are used to communicate with the field.

Although a segment of business still feels the consumerism issue has been blown out of proportion, most businessmen don't. They are eager for dialogues with the customer. If nothing else, they say it makes good business sense.

A revolution?

One task has been to put the consumer problem into perspective.

For example, last winter Motorola hired six college students to participate in a survey of new owners of Quasar TV's in a six-city area. A side task was to gain an insight into the owners' impression of "consumerism."

The students found that the word meant little or nothing to the nearly 400 people contacted in Memphis, Philadelphia, Detroit, Rochester, Miami and New York's Long Island suburbs.

"The experience provided me with a glimpse of the real world," said one student. Reported another: "Consumers aren't as irate as Ralph Nader would have one believe."

Yet a Ford official, pondering a NATION'S BUSINESS editor's query on whether a consumer revolution exists, says: "I don't know whether you could call it a revolution, but there sure is a lot of activity out there."

"Out there" is everywhere. Ford

Company Clout for the Consumer *continued*

President Lee A. Iacocca recalls a flight back from Europe last fall. The man in the next seat asked where he was from and Mr. Iacocca replied: "Detroit."

"Oh, that's where Ralph Nader lives."

"Hell, no," said Mr. Iacocca. "It only seems like he lives there."

Edward P. Reavey Jr., vice president and general manager of Motorola's consumer products division, traveled to Europe last summer to look into consumer approaches being taken there.

In Sweden, where the term ombudsman originated, he chatted with a lady who works in that trouble-shooting capacity in Sweden's government.

He asked if she was familiar with President Nixon's Special Assistant for Consumer Affairs.

"Oh, yes," answered the lady. "We know all about Mrs. Nader."

The real White House official, Mrs. Virginia H. Knauer, has no doubt there is a consumer movement of significant proportions around the nation.

"Consumerism is nothing more and nothing less than a challenge to business to live up to its full potential," she says. "To give the consumer what is promised, to be honest, to give people a product that will work and is reasonably safe.

"To respond effectively to legitimate complaints, to provide information concerning the relevant quality characteristics of a product . . . to return to the basic principle upon which so much of our nation's business was structured—satisfaction guaranteed or your money back."

Motorola's Mr. Reavey has a simpler definition: "Consumerism means service."

He thinks top management's approach to consumerism is going to be a key factor for investors to consider in the future. Many businessmen will agree.

PHOTO: ROBERT [illegible]—BLACK STAR

"I haven't needed you before, I don't need you now, but I'm glad you're there," a woman customer wrote Byron J. Nichols, Chrysler ombudsman. Mr. Nichols (left) reports to Board Vice Chairman Virgil Boyd (right.)

New breed of consumer

They will not, however, agree with a private research firm's conclusions after a 1969 survey that one out of five American consumers felt cheated by some product or service during that year.

Businessmen, especially those running large manufacturing operations with nationwide sales and service facilities, report that only about 5 per cent of their customers, on the average, make complaints—of all types.

But one thing is evident—the consumer today is a different breed. And Elisha Gray II, chairman of the board of the Whirlpool Corp. and board chairman of the Council of Better Business Bureaus, Inc., says the consumer movement has been "like a cold shower in the morning, a real eye opener," to U. S. businessmen. "We've been forced to take a close look at ourselves . . . and with few exceptions to accept that we weren't doing as well by the consumer as we might."

Whirlpool's move toward better communication with the consumer stemmed from a newspaper advertisement it ran in New Orleans a few years ago. It said, in essence: "We don't believe there is a dissatisfied Whirlpool customer in New Orleans. If there is, please call us and let us know."

A number of people called, and this was the genesis of the Cool-Line, which went into operation in 1967.

There are some "kook" calls, but the vast majority are legitimate. (This was the general pattern, NATION'S BUSINESS found, among companies similarly in direct contact with the consumer.)

Stephen E. Upton, Whirlpool vice president for consumer services, directs the Cool-Line, a 24-hour, seven-days-a-week service that logs some 20,000 calls a year.

Six consumer consultants field the calls. They have at their fingertips owner and service manuals for every Whirlpool appliance made. If they can't answer a question about repairs or other service (75 per cent of the calls are handled on the spot) the complaint goes to one of 63 district offices that same day. The district office has up to 10 days to iron out the problem.

There is a follow-up by questionnaire after each complaint is taken care of.

If repairs are involved and have been made under warranty, the company includes a copy of the invoice

it has received from the repairman showing work done.

It hurriedly began stamping these "paid" after it found many customers were sending along checks when they returned completed questionnaires. They thought the invoices were bills.

Unwise about an owl

Cool-Line has produced its comic moments.

There was the woman who complained her refrigerator "smelled to high heaven." A service man found, buried under the frozen food, a dead owl. Her husband, an amateur taxidermist, had stored his next project there and forgotten about it.

More typical are these cases:

- A woman in South Carolina lived 80 miles from where she had bought her dryer. It was giving her trouble, and she wanted to know if there was a nearer service store. There was, just 20 miles away, but a Cool-Line consultant diagnosed the cause of the trouble as a faulty fuse which she could replace herself. Ten days later he called back to check if this was it, and if there had been further trouble. It was and there hadn't been.
- A very ill woman in the Far West complained her air conditioner—necessary to her health—had broken down and her service agency didn't have the needed part. Within an hour after her call on the Cool-Line, a Whirlpool representative was checking the unit. There just wasn't anyplace locally to get the part. So it was flown in that night from another section of the country (with a spare coming from still a different section to make sure one got there). Next morning, the air conditioner was back in operation.

The Cool-Line operation costs between $150,000 and $200,000 a year—a low price, in the company's opinion, for better customer relations.

General Motors borrowed from Whirlpool's idea to set up its system to connect Detroit headquarters with the Chicago zone. Starting April 5, it invited owners of GM products to telephone toll-free if they are still unhappy after contacting their dealer, the zone office and the division that makes the product involved.

Glenn W. Warren, GM's manager of owner relations, put together a team of 20 woman employees to answer the calls and had representatives from each of the divisions on hand to handle emergencies. Mr. Warren and his staff trained the operators with simulated situations based on complaints already in the files.

"When we opened for business that first day the switchboards were lit up like Christmas trees," Mr. Warren says. "We had about 400 calls." Then the total dropped dramatically. On the second day, Mr. Warren began sending half the staff on extended coffee breaks, and scurried around trying to find something to keep them busy.

By the fifth day of the test the number of calls had dropped to 71 and GM advertised the service again. The number climbed to about 250 the day after the ads appeared, then nose-dived again.

Everybody's happy

From the beginning there was satisfaction on both sides.

Consumers were pleased with the chance to air their grievances to the home office. GM officials, on the other hand, felt the results confirmed a conviction that most of the reported unrest among consumers was due to lack of understanding of the steps to take in warranty situations.

An unexpected snag came when some consumers assumed that the telephone number in the Chicago ads was wrong because the Detroit area code was not included. Accordingly, they direct dialed, using the Detroit area code, and found themselves talking to surprised shop employees of the Michigan Abrasives Co., who kept answering a pay phone until they took it off the hook.

John C. Bates, director of the service section of GM's marketing staff, believes there is room for improvement in his company's consumer relations.

"That's why we are running this program," he says. "It's one of the most healthy situations that has happened. It's going to improve service to the owner, and it's in the self-interest of people who sell to have the customer happy so he'll be a repeat buyer."

Early this year Chrysler Corp. created an Office of Public Responsibility, headed by Vice Chairman of the Board Virgil Boyd. One section of the office covers environmental and safety matters; the other deals with consumer affairs.

GM's Glenn W. Warren heads a command post testing customer service in the Chicago area.

Byron J. Nichols, "Your Man in Detroit," became the first official ombudsman in the auto industry (his actual title: vice president of consumer affairs). As he explains it, his "main assignment is looking out for the consumer's good." He has license to cut across all lines of authority.

His immediate staff numbers less than a dozen, with seven of them housed in the Dodge Car and Truck Division, where he was general manager from 1960 to 1967. He draws on all Chrysler divisions for technical expertise and other assistance as needed.

As his corporation's vice president for marketing from 1967 to 1970, Mr. Nichols got to know just about every one of Chrysler's 5,700 dealers throughout the nation. He feels his experience will assist him in helping both the consumer and the dealer.

Mr. Nichols has marshaled behind the dealer the support of service per-

We know how to take payroll handling off your hands and save you money, too.

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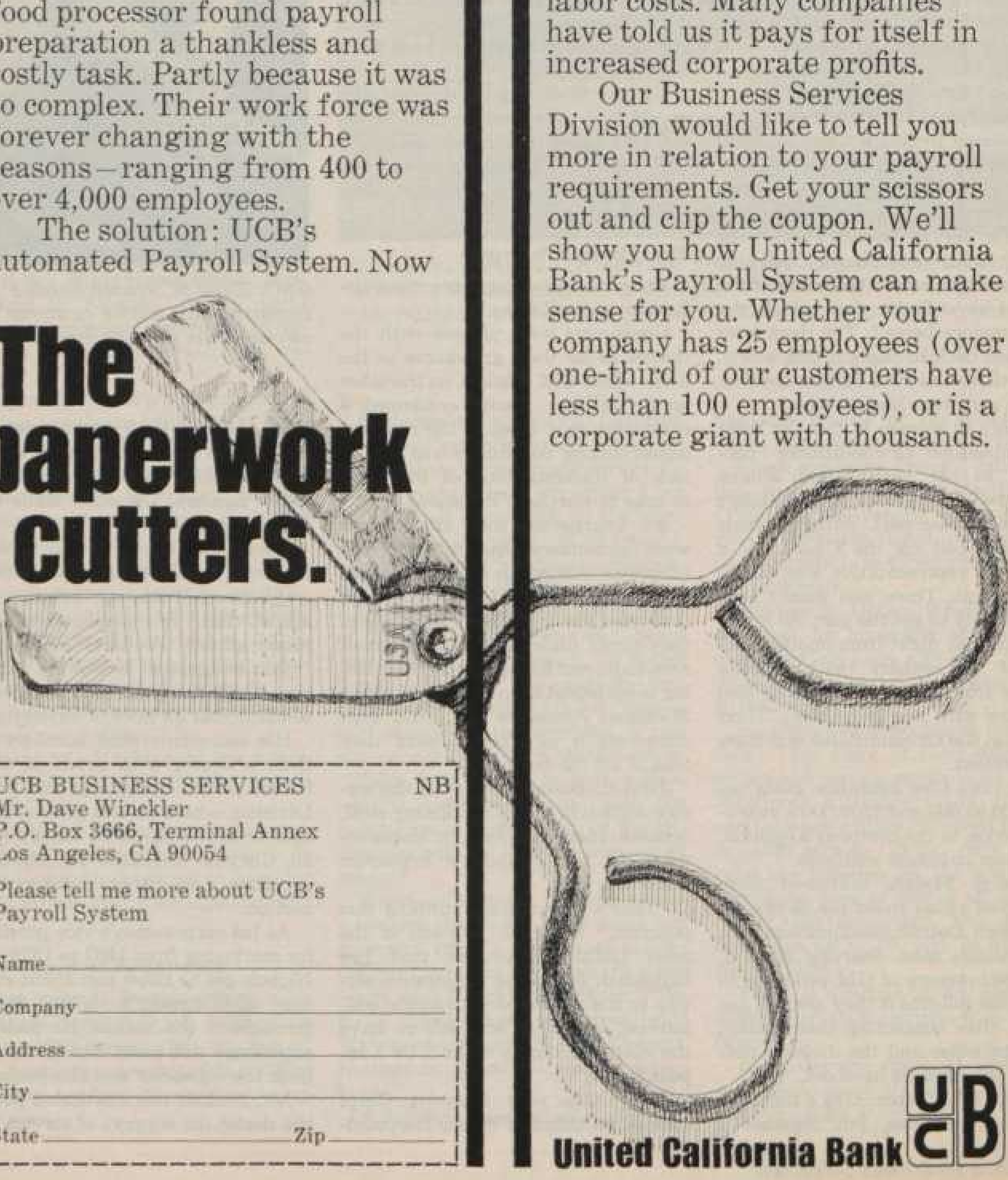

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Company Clout for the Consumer *continued*

sonnel in Chrysler's 21 field offices and 21 parts depots.

When his office gets word that a customer has a service problem, the customer is contacted by phone for an appointment to bring his car into a dealership. The customer is assigned either a "red line" or "blue line" category.

"Red line means his vehicle is out of service and the full force of our system is brought to bear to return the car to the road in the shortest possible time," Mr. Nichols says. "Three days is our maximum."

A blue line category is given those cars that are still operable, but need parts or service such as upholstery repair or painting. If parts are needed, the corporation's computer scans the inventories in the depots.

"A few days after the service or repair is made, the regional office contacts the owner again to see if he's satisfied," Mr. Nichols says. "If he's not, another appointment is made to bring the car to a dealership. And you can be sure we find out what went wrong the first time."

Mr. Nichols sees the parts problem as his industry's biggest roadblock in satisfying the consumer. He comes quickly to the defense of the dealers, who he contends are doing a good job. A few years ago, he notes, a 50,000-part inventory was satisfactory for a typical dealer, but with the proliferation of models and options, more than 100,000 parts are now necessary.

New car parts, he adds, aren't the only problem. A number of complaints have come from owners of ancient vintage autos. As a result, Chrysler service personnel surveyed the rebuilt parts industry and now can tell a customer where he can find a "whatsit" for a '37 Dodge pickup or a "whosit" for a '41 Plymouth sedan.

Seat belts for lovers

Ford expected a number of gripes with its open invitation for consumers to write. They arrived—a third of the letters were complaints. But the others were generally kudos or suggestions for improvements.

A seat belt for lovers idea came from a woman who wrote: "I worry about my son and his fiancee, who wants to cuddle up close and won't use the seat belt on the passenger's side."

Personal visits by Vice President Edward P. Reavey Jr. of Motorola astound new owners of color TV's.

Suggestions involving ash trays came by the hundreds.

"If we put an ash tray every place that's been suggested we would wind up with wall-to-wall ash trays," says a Ford official.

While most suggestions on ash trays were for more and in different places, one doctor who doesn't smoke griped that he couldn't buy a car without ash trays and a cigar lighter.

The Ford organization acknowledges a letter by mail the day it is received and phones the writer to get any additional information needed and to let him know a follow-up is being made. If the call isn't completed, a telegram is sent within 48 hours.

Early in April, Ford announced that service would be divorced from field sales by formation of a Customer Service Division. It is now headed by Philip E. Benton Jr., former general manager of the industrial and chemical products division. His new title: vice president and general manager of customer service. His 1,700-man organization, centered in Dearborn and in 34 district offices, will work toward further improving service at dealerships.

General Motors officials say the industrial giant doesn't need to name an ombudsman because it already has one in Chairman James M. Roche, who takes personal interest in consumer complaints (he answers many letters himself). GM for years has had a large customer service organization.

Mr. Reavey, as general manager of Motorola's consumer products division, also is personally active in handling individual complaints, but he has named an ombudsman. Garth Heisig, former director of engineering, is now director of consumer affairs.

"Reavey's Raiders"

Two years ago, Motorola, through its distributors, began contacting all new owners after purchase of Quasar sets to find out if they were satisfied.

Last year Mr. Reavey's staff began calling personally on new owners while on business trips. They've dubbed themselves "Reavey's Raiders" and the general manager himself has knocked on many an owner's door.

Owner reaction has been consistent—amazement.

Says a Dayton, Ohio, housewife: "I had never had a manufacturer even phone before to find out if I liked his product, much less come by the house."

Mr. Reavey says "a manufacturer can't get the feel of things by just talking to dealers. You have to talk to the customer."

Talk with customers can lead to changes in procedures.

Complaints that warranties were too wordy and legalistic prompted Motorola to produce a warranty that is short and simple. This, along with dealer and service agency addresses, is on a permanent decal on the back of each of its TV sets.

In the first quarter of 1971, Motorola color TV sales reached a new high, which Mr. Reavey attributes, in great part, to its approach to consumerism.

"I think," he says, "that consumerism is the essence of the free enterprise system and that the new breed of businessman who gets with it is going to be the successful businessman in the years to come." END

Coming in With Dad

Should he? Should you want him to? Should you even will him your estate? Here are some revealing thoughts about father-son relationships, both from executives at closely held family firms and from top men at publicly owned corporations

Many firms have a theory of relativity.

HENRY ALTMAN, *author of this article, is an associate editor of Nation's Business.*

Everybody has heard stories like these:

- The one about the boss's son who inherited the company's top job—and frittered away his inheritance at posh watering spots instead of working away behind his desk.
- Or the one about the diligent but not overbright young man whose doting dad put him in charge of his thriving business. The son worked hard and lived happily ever after—until the company died.

Should the offspring of successful men join their fathers' firms?

Many businessmen not only think they shouldn't, but also enforce company rules making sure they can't. For every case like that of the Watsons of IBM or the Sarnoffs of RCA, they can cite another leading to disaster. Why, they ask, take chances?

Other businessmen, however, not only think sons should not be barred from entering their fathers' enterprises, but—in some cases—feel they should be actively encouraged to come in.

At prospering Brown-Forman Distillers Corp. in Louisville, Ky., a policy of "planned nepotism" is followed, not just at the top (W. L. Lyons Brown, the chairman, is a grandson of founder George Garvin Brown, and all three of Lyons Brown's sons are company executives) but throughout the company.

Precautions are taken—if a son of a company officer is to be hired, he must have two college degrees—but in general, Brown-Forman feels that a son of a valuable employee is apt to be valuable, too.

To get a broad picture of current thinking on the following-in-father's-footsteps issue, a question about it was included in a NATION'S BUSINESS survey.

The result: A fairly even split in opinion.

Charles L. Huston Jr., board chairman and chief executive officer of Lukens Steel Co., Coatesville, Pa., more or less sums up, in his answer. Noting some employment of relatives "where there is a significant stockholding interest" in his company, Mr. Huston adds:

"Some businessmen friends, however, prefer otherwise (a) because they want their children to make it on their own, (b) because they are concerned about the future prospects of their business or (c) because of established company policy."

Welcome—but no favors

Executives who favor permitting employment of relatives frequently emphasize that they must be good enough to do the job.

"If he's qualified, we don't care whose child he is," says Alfred L. Jones, board chairman and president, The Union Commerce Bank, Cleveland, Ohio. "Outstanding candidates are increasingly more difficult to come by."

Joseph L. Gray, president, Gray Manufacturing Co., Inc., St. Joseph, Mo., says he wouldn't allow his children to join the firm "unless they are as well qualified as their peers, or better. They will inherit my ownership, but it will be of no value if the company's affairs are directed by incompetent relatives."

Writes Board Chairman Richard

So you've gained a son. But in your company?

Employee morale can be quite a problem.

DRAWINGS: RALPH DOBINSON

H. Rich of Rich's, Inc., Atlanta, Ga.: "I have a son who works for Rich's. He is in the third echelon of management, and knows he will only reach top management through his own efforts."

Another Southern executive says he "would have liked to have had a son in my business, but they wanted to start at the top and I would only give them a job in the shop. I have three sons—none is associated with my business."

E. James Quirk, president, Brandt Automatic Cashier Co., Watertown, Wisc., also has begin-at-the-bottom sentiments. "I have eight children," he says. "Any of them are welcome in the business, but there would be no special favors. They would have to start from the ground up."

C. A. Carr, chairman, Dibrell Brothers, Inc., Danville, Va., comments that "it would be fine" to have his children in the firm "on a strict merit basis, and never reporting to me (as boss)."

Kinship a hardship?

Robert T. Gilchrist, chairman and president, Federal Sign and Signal Corp., Chicago, Ill., says "they must be good examples to other employees. If they can't do the job better and aren't willing to work harder and longer than others, they should be employed elsewhere."

One proud father who obviously feels his son wouldn't lie down on the job is Gerrit Sanford, president-treasurer, Building Materials, Inc., Fall River, Mass. "My boy," he says, "has never had an allowance, has had to work hard every summer for his spending money and enjoys work. He would be an asset to my firm if he should choose this occupation."

E. J. Moench, president, Tennessee Tufting Co., Nashville, Tenn., who reports he has "one son with me, one not," notes automatic "unfairness" to children in their parents' firms: "You expect them to be more efficient than anyone. You demand more from them. They feel they have to take more from you."

Unfairness is a subject more frequently raised on the other side of the fence.

Robert W. Hawkinson, president and chief executive officer, Belden Corp., Chicago, says he is "against nepotism and similar relationships in business" and cites unfairness "to the child, who is damned if he succeeds and damned if he does not," as well as discouragement of "bright young achievers" in a company.

W. C. Burgess, president, Burgess & Associates, Inc., Lakewood, Ohio, sees "no reason to penalize faithful employees with possibly overplaced children."

Nepotism, says Byron E. James, chairman and chief executive officer, McQuay, Inc., Minneapolis, Minn., "inhibits the ambition of other qualified people."

"I question the wisdom of having children of our top executives in the business," says Donald S. Perkins, board chairman, Jewel Companies, Inc., Melrose Park, Ill. "None is so employed. If they are really good (and I think they are), they will never get the credit they deserve when they succeed (as they surely will if really good). If they are mediocre or really poor, our company doesn't need them or want them."

An antinepotism policy, says George Dillon, president, Butler Manufacturing Co., Kansas City, Mo., not only is "sounder" for "larger companies with public ownership," but "often is fairer to the child in that he is never sure about his own competence" if he gets his position through birth.

Size is a big factor

In general, there is more keep-out-sons sentiment in connection with big business than with smaller business.

E. McL. Tittmann, chief executive officer, American Smelting & Refining Co., New York City, says he doesn't believe a child should join his father's firm if it is publicly controlled, but "my feeling is otherwise for a family or family-controlled business."

Says Marcus R. Tower, vice chairman, National Bank of Tulsa, Tulsa, Okla.: "In the case of smaller firms, it is wonderful for the children to join. However, I feel children should not become a part of a major concern with which the family is associated."

There also is some sentiment in favor of children going into the same field as their father, but not into his company.

"The firm—No," says G. F. N. Smith, president, American Mutual Life Insurance Co., Des Moines, Iowa. He gives a one-word explanation: "Nepotism." But he adds: "The life insurance industry—Yes. A good future, a necessary and socially desirable public service."

Some executives who see good in establishing or continuing a family

Coming in With Dad *continued*

tradition in a business make it clear they oppose too much of a good thing.

"I have one son—capable—in my company," says Gordon R. Walker, chairman, Walker Forge, Inc., Racine, Wisc. "But if I had two or three or more, only one would be in my company. He would have to be well qualified."

W. M. Blaine, president, Breneman, Inc., Cincinnati, Ohio, says he is anxious to have "continuity of motivation of ownership" through a "limited number" of highly qualified children joining the firm.

"We are a family company and feel that at least one or two members of the family must be in it," says M. Lee Marston, president, J. J. Haines & Co., Inc., Baltimore, Md. "But no family member can come in if he is not strong enough to make it into top management. If he cannot make it, he must leave."

Those sons by marriage

How about sons-in-law, rather than sons, in the business?

Richard B. Crosset Jr., president, The Crosset Co., Inc., Cincinnati, sees a special problem here. No son is available to carry on his family business, he says, "and I don't think sons-in-law are the answer, because, so many times, they are unable to get along after a number of years."

Quite a few executives say they think children who come into their fathers' firms should first have experience in other companies.

Donald H. Davis, president, The Ball & Socket Manufacturing Co., Cheshire, Conn., says his firm has a "strict rule against hiring children of executives while students or before at least 10 years of outside experience wherein they have proven their abilities." To do otherwise, he adds, would be "bad for morale in a company as small as ours (180 employees)."

R. F. Campbell, president, Lihap Industries, Santa Fe Springs, Calif., who says neither of his two sons plans careers in his business, though they would be welcome, comments: "Generally, I think it better for offspring to start elsewhere, and if they join later to have experience and some recognition."

There is considerable sentiment

Some youngsters are due for surprises when their fathers' wills are read.

that arms should not be twisted to bring sons into their fathers' firms.

"I want my son to make it on his own," says Norris A. Aldeen, president, Amerock Corp., Rockford, Ill. "If he feels he can do that in our company, I'd be happy to have him join us. For his own satisfaction and dignity, he needs to carve out his own career. I can open doors for him; what he does after that is dependent entirely on him."

Says C. E. Mills, president and general manager, Corduroy Rubber Co., Grand Rapids, Mich.: "I would welcome my son, but not persuade him. He should be free to plan his own life."

And V. M. Bunkoff, secretary-treasurer, Bunkoff Construction Co., Inc., Albany, N. Y.: "Ours is a family firm—third generation—only because the three boys desire to be here. The worst thing that can happen to a man is to have to work daily at a job he hates."

Leave it to the kids?

Executives surveyed were also asked whether they had any sentiments against passing on their estates to their children.

This may not seem like much of a question. After all, very few children are disinherited—and then, typically, it's because of a way-out break with parental principles—even though many successful businessmen leave large sums to worthy causes after taking care of their families.

Some businessmen, however, feel little of their wealth should go to their children.

H. Ross Perot, the youngish Texas electronic data processing multimillionaire, has asserted that he owes his children a good upbringing and education—and that they then should be on their own.

Suppose a son is capable only of unskilled labor, or a daughter marries a gas station attendant?

They'll have to get by on their own, according to Mr. Perot.

Mr. Perot, who has given much to charitable causes and plans to give more, would extend financial help to his children only in case of incapacity.

Predictably, the great majority of executives surveyed report they plan to will most of what they have to their families—though some say they think their children shouldn't be given control of their inheritances until age 35, and others mention leaving estates to their children in trust for their grandchildren, as a means of cutting taxes.

Still, some are cautious on the subject:

"Their inheritance will be limited to what I think they can intelligently handle," says P. H. Henson, president, United Utilities, Inc., Kansas City, Mo.

"Leaving an estate of more than \$50,000," says a New Englander who doesn't wish to be identified, "is stultifying to too many children. There are exceptions, of course, but don't bet on it."

Says John B. Caron, president, Caron International, New York City: "Let children inherit enough to give them a minimum of financial security, so they can pursue the career they are best suited for."

But John F. Weathers, president, Russell Pipe & Foundry Co., Inc., Alexander City, Ala., echoes the general feeling when he says: "If I should have anything to leave, I would prefer to leave it to my children rather than to someone else." END

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They've Never Lost a Decision

The U.S. Foreign Claims Settlement Commission acts like a court—but you can't appeal its rulings, and often you can't collect on its awards

Chancing into a downtown Washington office building one morning, a visitor would have decided—except for two puzzling circumstances—that he had happened upon a pair of land developers making a pitch for more capital.

Two men were enthusiastically describing how their 17,000 grapefruit trees were nearing maturity, how they expected a yield of 20 crates of fruit per tree, average profit of $1.75 a crate and access to the New York market before the Florida citrus crop came in.

They raved over their hot spring "of the purest water possible," described how it could be the center for a hotel, motel or health spa, told how land values in the area were skyrocketing with a jet airport being constructed, cited rivers with beautiful cascades, rock basins that made natural swimming pools. . . .

But one puzzling aspect of the properties described so glowingly was this: They were off limits to U. S. enterprise, situated in Castro's communist Cuba, on the Isle of Pines.

The other peculiarity was that the men were pitching their hard sell at an organization that had no money to dispense.

Yet any notion that the two men were addled, or acting out some fantasy, was shattered by the knowledge that some of America's largest businesses—International Telephone & Telegraph Corp., Coca-Cola Co., Eastman Kodak Co., General Electric Co.—had preceded them into this same room with similar messages.

For the organization they were addressing was the United States Foreign Claims Settlement Commission, a government agency charged with deciding the validity of more than $3 billion in losses that U. S. citizens claim to have suffered in Cuba or Red China. The property they described had been nationalized after Castro installed his regime. So far the Commission has proposed awards totaling almost $1 billion arising from Cuba's seizure of U. S. citizens' property and $177 million for losses in Red China.

Officially they're "certifications of loss," but they're usually called "awards," even though there's no money on hand to pay them.

The awards allowed for Cuba and China losses dwarf the payments approved for individual World War II claims.

Largest to date

For example the largest single award proposed so far was $266 million approved in October, 1969, for the U. S.-owned Cuban Electric Co. It had sought $380 million.

By contrast, the largest single claim approved by the Commission for losses arising out of World War II was Standard Oil of New Jersey's $37 million for losses suffered in Germany, Austria and Danzig and in some ship torpedoings.

Money to pay World War II losses came from seized enemy assets in the United States and, later, appropriations from some foreign governments. But the Cuban and Red China loss claimants have no kitty to tap.

Claiming nonexistent money may sound like an exercise in futility, but

the Commission and the State Department don't see it that way. They believe it's a good idea to authenticate U. S. citizens' claims now. Then, whenever relations with the two Red nations show enough improvement, the claims can be tossed upon the table and payment can be one of the conditions for further improvement.

The hope that Castro's out-at-the-elbows Cuba—generally supposed to be subsidized by the Soviet Union for $1 million a day—someday could pay off $1 billion or more for U. S. property may sound preposterous.

But one U. S. specialist in international settlements believes a pay-off might not be the pipe dream it seems. One of the terms of resumed relations might be a U. S. agreement to give Cuban-produced sugar access to a certain share of the American market, as it had in the precommunist days, he speculates.

A fixed part of those earnings could be earmarked to satisfy U. S. claims.

Two events have heartened claimants for losses in Cuba and China. One is that other Red countries—Poland, Yugoslavia, Bulgaria and Romania—have agreed to make payments for U. S. property nationalized or otherwise lost.

Poland's agreement was, in fact, substantial—$40 million over a period of 20 years. The Commission was even permitted to send a team to Poland to verify losses.

The other hopeful sign is that the Cuban government has settled with both the French, Swiss and Liechtenstein governments for nationalizations and expropriations against citizens of those countries. None of those nations, however, had anywhere near the involvement that U. S. capital did before Castro's 1959 take-over.

Individual claims, too

Not all claimants are businessmen.

There was, for example, a merchant marine officer, Peter Korenda. Like many Americans he was visiting in Havana during the revolt. Standing in his eighth floor hotel room, he was struck and killed by an errant bullet.

Cuba acknowledged the incident, agreed to give his family $100,000 damages, then reneged on the payment. The family filed a claim with

ILLUSTRATION: LEO HERSHFIELD

the Commission, which approved a $100,000 award as a just debt of the Cuban government.

Not every American succeeds in convincing the Commission. One woman said that confiscation of her property, plus some time she'd spent in a Cuban prison, had caused her damages to the tune of $492,366.

But the Commission allowed her nothing. It found she had been penalized for violating criminal laws of Cuba, and the penalties did not seem to have contravened international law.

Some claims were occasioned by troubles that didn't even occur in Cuba. One happened in Philadelphia. There, on Jan. 9, 1959, longshoreman James Keys was unloading cargo from the Cuban ship, *Bahia de Matanzas*, when, because of unsafe conditions aboard, he was injured. A U. S. court awarded him $46,000 damages against the Cuban government, with 6 per cent interest yearly (the usual on Cuban and Chinese claims).

After relations were broken off, that was converted into an award by the Commission.

What the Commission is like

By law, the Commission consists of three men.

Lyle S. Garlock, the chairman, a former Eastern Airlines executive and onetime assistant secretary of the Air Force, is a Nixon appointee.

Commissioner Theodore Jaffe, a Kennedy and Johnson appointee, was a partner in a Providence, R. I., law firm.

A third commissionership is vacant. Sidney Friedberg, who had been named by President Johnson, resigned last August to become general counsel and executive vice president of the National Corporation for Housing Partnerships. President Nixon has not yet appointed a successor.

The term is three years and the annual pay $36,000.

With the aid of a staff of about 40 (down considerably from the 200-plus who worked on claims for World War II losses) they scrutinize the claims, ascertain that both ownership and loss are established and then issue a proposed award. If the claimant disputes it, he may ask for a formal hearing before a final award is issued.

These hearings are conducted before the commissioners in a paneled room in an office building. Hearings lack the punctilio of a traditional claims court. Often, claimants act as their own lawyers.

"Many times, we permit evidence to come in that would be rather shaky in a court of law because people can't get certain evidence," says Leonard V. B. Sutton, former chairman of the Commission.

"You cannot get it out of Red China. You cannot get it out of Cuba. We take a very lenient attitude toward the claimants."

Courts usually have little trouble establishing that a claimant owned property in this country which he says has been lost or damaged. Bills of sale, deeds, wills and titles are generally at hand.

But establishing ownership of property in Cuba and China, where American travel is restricted, has "many difficulties . . . particularly for refugees who have not been permitted to take their records and papers with them," says Mr. Sutton.

Nevertheless most claimants are able to produce sufficient evidence of ownership to clear this hurdle, he says.

Genuine claimants often can show tax receipts, records of rent collections or detailed affidavits attesting to the original purchase of the confiscated property. "This is especially true of the corporate claimants which also had offices in the United States," says Mr. Sutton.

Sometimes the former property owner next door may have filed his own claim, which can serve to fix some bench mark of property value. And the U. S. Treasury Department's 1943 census of all American-owned property overseas has proved helpful.

Sometimes the Commission permits the use of its own documents to help establish a claim. In one case it elicited evidence that claimant Eileen M. Carter deserved a larger award than the $206 she had claimed for a bond issued by a U. S.-owned Havana college. She was granted $229.

Phony claimants are very rare, probably discouraged by the unlikelihood of immediate pay-off.

People with legitimate claims sometimes lack enthusiasm, too.

"The fact that there is no fund from which the awards can be paid seems to create a lethargy in some claimants, who tend to drag their feet in furnishing requested evidence when they find this may involve further expenditures," says Mr. Sutton.

Costs can run high. Nicholas R. Doman, a New York City lawyer who has represented many large claimants, says some clients spend close to $10,000 to establish an award.

A longer life

Although Congressmen in the past occasionally berated the Commission for remaining in business two decades after the start of the World War II claims program, it appears destined for a longer life.

The awards for the Cuban and China claims won't be completed until July 6, 1972. And there is additional money from Italy, Romania and Bulgaria to allocate.

Last spring, Congress and the President added to the Commission's duties. It was authorized to authenticate claims from prisoners of war in Viet Nam and from crewmen of the spy ship *Pueblo* who were interned by the North Koreans.

Both Senate and House committees have recommended that the Commission be allowed to certify claims from residents of the Micronesian Trust Territories for damage inflicted during World War II. To meet those claims the United States has agreed to contribute $5 million to a fund and Japan will kick in cash and goods worth another $5 million.

These assignments will further establish the Commission as a kind of judicial mutation—a court at once national and international. Its legal underpinning rests on international law, which is one reason its decisions aren't reviewed by U. S. courts.

Actually the Commission is in an old U. S. tradition. It is the twentieth such national claims commission established in the last 150 years. But most of the others have been confined to a single mission.

With international trade and investment mushrooming, social revolutions and nationalization of property increasing and "brush fire" wars erupting repeatedly, the Commission seems likely to be busy for many years.—WILLIAM M. RINGLE

Going Somewhere From the Road to Nowhere

Ghana threw out its leftist dictator, welcomed U. S. and other Western investment, and is now making headway despite the monumental bloopers of the past

PHOTO: STERN—BLACK STAR

Something old, something new is the order of the day in Ghana, a classic example of an emerging nation. These Ghanaians dressed in the old fashion in the dining room of the Ambassador Hotel, Accra, may have received modern educations abroad.

ACCRA, Ghana—There's a toll highway in Ghana six lanes wide and 16 miles long, with red emergency telephones every mile. The road, which goes from nowhere to nowhere, is only a few hundred miles north of the Equator. But it was carefully laid so that it would be frost resistant.

At a Ghanaian port, giant silos reach skyward. Cocoa beans were to be stored in them, but it gets so hot inside that the beans would cook.

In the Ghanaian capital of Accra, the Organization of African Unity building dominates the skyline. Sixty windowless suites with decorated floors and walls were laid out as quarters for black African leaders. Why no windows? To lessen the possibility of assassination. But no matter. None of the leaders ever used the suites, anyway.

The small city of Tema was planned as West Africa's greatest port and eventually the greatest in the world, surpassing New York, Rotterdam, London, Shanghai and Singapore. Thus far, Tema hasn't made the grade.

These are some of the legacies of the quasi-communist rule of Kwame Nkrumah, who fancied the title "Redeemer." But Nkrumah was deposed five and a half years ago without redeeming even himself.

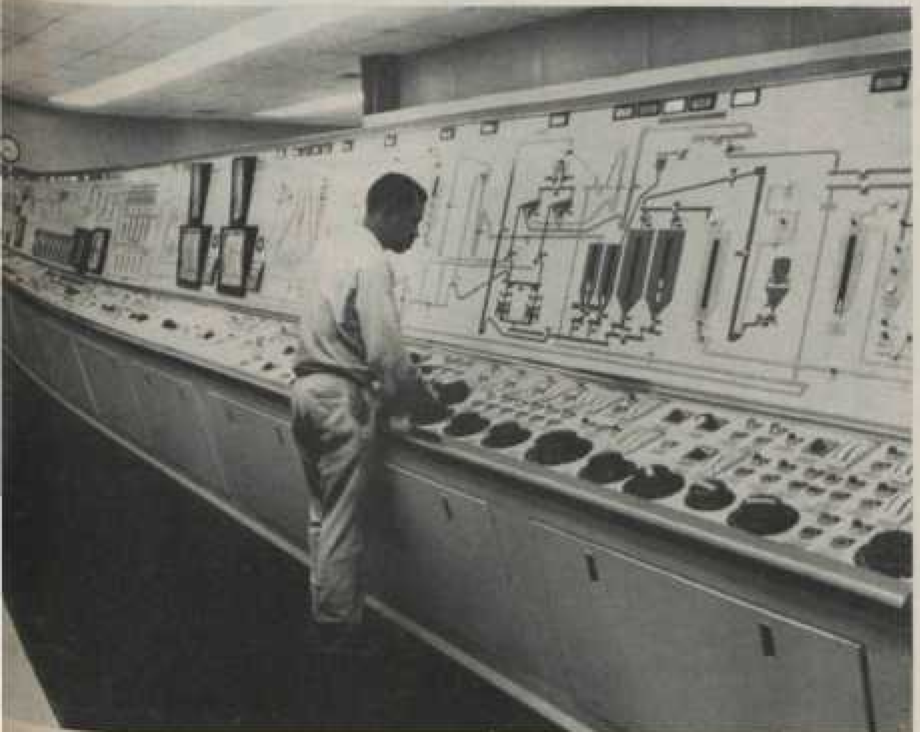
Today, things are being put right for Ghana, slowly and at tremendous costs in time and money, with the help of two countries Nkrumah abused—the United States and Britain.

Whether Ghana will ever make it is debatable. But the smart betting is that it will.

A primary reason for this confidence is the government of Prime Minister Kofi Busia. It has the respect of the people, who are tired of strife and Nkrumah-style government and oratory. Dr. Busia's government came to power in free and honest elections and is one of the most efficient regimes in black Africa.

Another reason is that Western businesses are moving into Ghana, bringing technical aid, skill, equipment, information. It's an enlightened "invasion," welcomed by Ghanaians because it provides tens of thousands of jobs in a population of 8.6 million and helps lift the country from the economic bog where the communists dumped it.

STERLING G. SLAPPEY, *author of this article, is senior editor of Nation's Business*



American companies are rapidly bringing Ghanaians into highly technical jobs and reducing the roles of non-Ghanaians. Monitoring a control panel in the American-owned Valco aluminum works at Tema calls for immense skill, and pays well.

A third reason for confidence is that America and Britain—the major givers of aid and extenders of credit to present-day Ghana—are anxious to ensure that the country is a success, now that it has redeveloped a commitment to the West.

Interest and self-interest

Ghana currently owes the United States, Britain, Belgium, Canada, West Germany, the World Bank and several other organizations and nations $600 million. Nkrumah wasted much of this money, plus millions upon millions more of Ghana's own funds, on such projects as the no-where-to-nowhere road and the over-heated cocoa bean silos.

Interest payments on the sums owed abroad have staggered the Ghanaian exchequer. Partial relief from payments until next year has been granted and creditor nations are soon expected to agree to reschedule debts.

Hopefully, Ghana can eventually pay up in full and in the meantime have a little money left over for economic development. If debts aren't rescheduled, Ghana won't be able to pay anyway.

Americans are prominent among Ghana's business "invaders." Opportunities are here and U. S. companies are not hesitant about taking them.

Growing cocoa beans is the biggest business in Ghana, but the largest industrial operation is American-owned Volta Aluminium Co. Ltd., called Valco.

The Ghanaian government and Valco have their disagreements, but all in all Valco is a fine example of what an enlightened foreign-owned company can do for a country, and Ghana is an example of what a country can do for such a company.

Kaiser Aluminum & Chemical Corp., of Oakland, Calif., 90 per cent owner of Valco, and Reynolds Metals Co., of Richmond, Va., 10 per cent owner, have invested more than $120 million thus far, and when present expansions are completed in a year, capacity will reach 145,000 metric tons annually.

Valco employs 1,900 Ghanaians including 172 supervisors, and annually buys 300 megawatts of power generated in the Volta River station at the huge Akosombo Dam.

The company is here primarily because inexpensive power is available. And the power is available because Valco is here.

The Akosombo Dam would not have been built without Valco's contract for power. (And incidentally, Volta Lake, the world's biggest man-made lake, would not exist if the dam had not been created.)

William E. Armantrout, resident manager of Valco, told NATION'S BUSINESS in Accra: "The power contract called for payment of $13,273,000 through last August but Valco actually paid $17,799,000 because we bought more power than we expected. This is one deal where everyone seems to be getting some good."

Between 1964 and 1970 Valco turned over to Ghana's government more than $44 million in hard Western currency. And, during 1968, the last year for which figures are available, Valco turned a neat profit of $4,267,000—which certainly bears out the claim that Valco and Ghana are good for each other.

Friction over bauxite

In addition to the power supply, Kaiser and Reynolds were influenced by the potential availability of bauxite—principal source of aluminum—in deciding to launch Valco in Ghana. So far, however, Valco hasn't mined Ghana's extensive bauxite deposits. The company has preferred to import the material from the Western Hemi-

Going Somewhere From the Road to Nowhere *continued*

sphere. This has produced friction. But Valco has an answer to Ghanaian complaints: A consortium of Valco, other companies and the government is expected to be formed soon to mine bauxite.

Joseph H. Mensah, Minister of Finance, told NATION'S BUSINESS he is confident that Valco will start mining operations. "Otherwise, at a specified time in the future—and only a few years off at that—Valco will have to start paying duty on bauxite it brings in from outside," he said. "It enters duty-free now."

Another irritant is the complaint that the company doesn't promote Ghanaians fast enough.

The company's answer: In three years the number of foreign supervisors—mostly American and British—working for Valco has dropped from 168 to 113.

It can be added, happily for Valco, that as the number has dropped and the number of Ghanaian supervisors has risen, there has been a lessening in shrillness of complaints by the two principal newspapers in Accra, the *Times* and the *Graphic*.

Since both are owned by the government there never was any doubt where the complaints originated.

Ghanaian cities are freckled with supermodern buildings among their old colonial structures and mud huts. The Public Library in Accra is as up to date as anything anywhere.

Africans unlimited

Among other American companies with profitable operations here is Texaco Africa Ltd., which markets a full line of petroleum products at a large network of service stations and with a large fleet of trucks.

Manager is W. C. McKnulty, who's been working in West Africa almost continuously since World War II. He is one of only two Americans with Texaco Africa Ltd. All the others are black Africans.

"It's good business for an American company to have a black man call on black customers," Mr. McKnulty said.

Mobil has an even larger operation here, but as yet it has not Ghanaianized operations to the same extent.

But Mobil is winning friends in other ways. It plows some of its profit into cultural affairs, which incidentally spreads the company's name in youth, upper class and business circles.

In Ghana, a former British colony, you see Shakespeare performed by blacks who speak perfect English. The performance is courtesy of Mobil.

Union Carbide makes batteries and plastic bags in Ghana, is big in magnesium mining, and prospects for oil (thus far unsuccessfully).

At least a dozen American and international oil companies hold leases for offshore exploration, which has been held back by a lack of deep sea drilling rigs. In the three years of exploration only one well produced significant oil. It belonged to Signal Oil Co. of Los Angeles.

Firestone Tire and Rubber Co. has a tire plant and plantation in Ghana.

Hundreds of American companies have retail or wholesale operations and a ride through Accra, Takoradi, Kumasi or Tamale provides much evidence of the degree of American economic penetration. There are signs and billboards telling about the wonders of Coca-Cola, American airplanes, movies, appliances, soaps, medicines, tools and foods.

Stable—and democratic

One thing that many Americans find reassuring about Ghana is that here the military has voluntarily given up some of its power and conducted free, nationwide elections.

Two years ago Dr. Busia's government succeeded a military junta, which had adroitly waited to take

over the country until Kwame Nkrumah was in Peking on one of his cozying-up-to-communists trips.

The most surprised man on earth was Nkrumah. He never got home again. And today he's nursing his feelings in Guinea and plotting, always plotting, how he can take over Ghana again.

He's given almost no chance of doing so.

"He would be lynched at the airport if he showed up," said Finance Minister Mensah.

"There are, of course, a few people around who might welcome him. They try to use his memory, his shadow, in hopes of picking up residual support. In Germany you still have old Nazis about.

"But there aren't many Nkrumah people left in Ghana."

Ghana's form of government is considered as stable as any in a developing nation. It is based on the British parliamentary system.

Britain dominated this area—most of what is now Ghana formerly was Britain's Gold Coast colony—for hundreds of years.

The British wisely trained an efficient constabulary force, and set up a civil service to run the government from day to day. They built a railroad, paved highways and packed the brightest young blacks off to Oxford and Cambridge for training in law, medicine and government.

Showing interest in Ghana's culture is one way Mobil Oil Corp. relates to Ghana's people. Here, Herbert Schmertz, Mobil vice president, looks over Ghanaian carvings in New York with Ghanaian Consul Lawford O. Antwi.

Kings and the King's English

The Gold Coast led the way in West Africa when it was given independence. Britain, which once had to use force to rule, got out peacefully, leaving generally good feelings on both sides. The British always let Ghanaians keep some of the ancient trappings of authority. They remain today.

In Kumasi the local tribal chief or "king" keeps a golden stool as his symbol of office and whenever a new king comes along he is "enstooled."

Another thing the British did was teach English. And it's still the national language.

Everyone except people in the bush and the lowest reaches of society speaks English plus at least one tribal tongue.

With your eyes closed you might swear you were at Oxford or Cambridge when chatting with Minister Mensah, Ambassador Ebenezer Moses Debrah in Washington or K. Gyasi-Twum, managing director of the Ghana Commercial Bank.

Though Ghanaians welcome Western capital and Westerners—there are no "Yankee Go Home" signs here—visitors from outside the spheres of business and government are few.

In much of the developing world, nations turn to tourism for revenue when all else fails. Ghana can't.

Magnificent beaches stretch along the Gulf of Guinea. There are plenty of unemployed workers here to serve the tourist trade, and there is plenty of food. Accra has an airport in advance of many a city airport in the United States.

But Ghana is too far from the people with the money—meaning, Europeans and North Americans.

Not even many American blacks visit Ghana, though 37 old fortresses have special significance for them.

At these fortresses some of their ancestors may have been sold into slavery by parents, or other blacks, centuries ago. And it was from these forts that whites transported the slaves to the cane and cotton fields of the New World.

Another leftover from the area's past is a form of nationalism which last year led to a law forcing thousands of Lebanese and other Middle Easterners to sell small retail operations so Ghanaians could acquire them.

The law did not hurt American and European firms here, though some U. S. firms might have been affected due to small volume of business. Pfizer, Inc., was one. But Pfizer and a few others specializing in highly technical work were allowed to remain.

Last year, as well, Ghana expelled tens of thousands of blacks from less affluent countries who were unregistered but living here.

Nationalism has also been behind a refusal to let foreigners own land. They can own businesses, buildings and equipment, but not the land.

This type of restriction is not found in the sophisticated nations of Europe and North America.

Sophistication isn't found often in Ghana. But the country has a lot of other attributes that are tremendously attractive to Americans and to American investment. END

New Labor Policies in the Civil Service

Uncle Sam's personnel manager discusses collective bargaining, pay scales and administrative policies for those two million federal workers—and whether they should be allowed to strike

Many Civil Service workers are pressing for a sweeping overhaul of the federal government's pay scales, its system for rating employees, and its labor relations policies.

The central objective is to reduce the power of the President and Congress in managing the Civil Service system, and to establish wages and other conditions of employment through conventional, industrial-style collective bargaining.

Underlying the demand for change is a strong effort to extend unionization in the federal force of 2.1 million workers, some 48 per cent of which is already represented by unions. (Not included are the heavily unionized postal workers, numbering more than 700,000, who transfer from the Civil Service to the corporation-type U. S. Postal Service next month.)

"Federal employees are not asking to be treated better than employees in private industry—they just want equal treatment," says a key union leader.

Charged with representing the government and the taxpayers' interests, as federal policies evolve, is Robert E. Hampton, chairman of the U. S. Civil Service Commission.

Mr. Hampton, 48, a career government official, believes Washington is a fair and progressive employer for both white and blue collar workers. He agrees there is always room for improvement, but does not think it is possible for government to engage in industry-style collective bargaining.

"Necessary improvement can be made under the present Civil Service set-up," he says.

A native of Tennessee, Mr. Hampton has served with the State Department, with the Air Force as an assistant for manpower and personnel, and in the White House as a special assistant in the Eisenhower and Kennedy Administrations. He has been a member of the three-man Civil Service Commission since 1961 and was named chairman in 1969.

As chairman, Mr. Hampton has won broad respect. But his most complex problems lie ahead.

Here, in an interview with a NATION'S BUSINESS editor, he reveals much of the Executive branch labor relations philosophy which is sure to be tested in the immediate future.

Mr. Hampton, some federal unions are pushing increasingly for private enterprise-type collective bargaining. What is your comment on this?

There is some thinking among government employee unions that it would be desirable to have a full collective bargaining system for the public service. I do not agree.

Conditions of employment in the

PHOTOS: LEROY WOODSON

Robert E. Hampton, Civil Service Commission chairman, says a "lack of confidence" among federal employees in the Civil Service system can be relieved without revolutionary changes in the system.

public service are quite different than they are in the private sector.

In many cases, the conditions are set by the Legislative branch or through court action. We could not negotiate these in the collective bargaining process.

Certain conditions are set by Executive action. Some of these things we can and do negotiate, but not in the sense of collective bargaining as it is practiced in the private sector.

Government is made up of a number of agencies and there are a number of unions with varying degrees of recognition. Management would be at a disadvantage in negotiating within such a decentralized system, in setting up a balanced bargaining position, in establishing the quid pro quos.

There is also the public interest to consider. In other words, there are just too many variables in the public service at this time over which the manager has no control, and on which he is not free to negotiate.

Even though we haven't had a full collective bargaining situation in government, employee rights have been protected to a greater degree than they have been in the private sector.

The fringe benefits and pay of federal employees are as good as those of any other employer in the country. So we must have been doing *something* right.

We have had no significant strikes in a hundred years, other than the postal strike last year. The air traffic controllers' sick-out inconvenienced people and created some problems, but it was not a successful work stoppage.

Should strikes occur in the future, most agencies have contingency plans to deal with them. But the fact remains that, according to the present law, a strike against the government is illegal.

Anyway, I believe that if the government keeps itself attuned to the needs of its employees, we can take the steps that would make employees feel a strike is unnecessary.

I'm not saying the government ought to give in on every issue to prevent a strike. There must be give and take in every situation. But hopefully we can look ahead and avert the conditions that lead to a strike.

If there can't be a strike, and give and take doesn't work, what's left is binding arbitration by a third party. But aren't there inherent limits on this in government?

Yes, there is a real problem if an arbitrator gives the employees a settlement that is more generous than the public treasury has the ability to pay. This has happened on occasion

when state and local governments and unions have tried to employ the collective bargaining system exactly as it is employed in the private sector. This is another reason why labor relations in government are a special case and should be treated as such.

Some people contend government pay has increased faster than in the private sector. Is this true?

The federal service has had some rather dramatic adjustments in pay during the past few years, so I can understand public concern. But this has been a catch-up period. In 1962, when the comparability pay system was adopted, the gap between government pay and private sector pay was very wide. The adjustments closed the gap.

It would not be really possible, under our comparability system, for government salaries to move ahead of industry.

We compare rates paid to white collar workers in private industry for similar types of positions in federal service. The comparison, which is conducted by the Bureau of Labor Statistics, is based on an extremely large sample of positions. So we are getting an honest statistical picture of private pay rates. And bear in mind that the basic objective is to keep up with industry rates, not to lead industry.

Now the federal employee unions say we are a year behind industry because of the time required to complete the surveys. This used to be true, but we've reduced the process to about six months, and this is about as close as we can get.

You recently were criticized for turning down a proposal to tie federal blue collar wages to a cost of living escalator. Why did you make this decision?

Blue collar pay is established on the basis of local prevailing rates which are determined by survey teams with representatives from both labor and management. This is the principle established by law and I believe the principle that we should stick to.

The cost of living situation is a fairly complex one. But usually a cost of living escalator is reflected in local wages, so in effect we do pick it up when we key federal rates to prevailing rates in an area.

How do you answer complaints about the fact that Civil Service white collar workers got a 6 per cent increase at the first of the year while blue collar workers were refused a 4 per cent raise, which the Administration described as inflationary?

This is a phony issue. Blue collar workers have been receiving annual pay increases for many years. In fiscal 1969 they received a 9.2 per cent pay increase and in fiscal 1970 an 8 per cent increase.

The union argument for a fourth wage step would have meant the government would be paying 76 per cent of its blue collar workers 8 per cent more than the prevailing rate. This is an unwarranted cost and as such is considered inflationary.

Mr. Hampton, where is the public service employment structure weakest?

This is the question that has dominated our thinking for the past two years and more.

Perhaps the primary need is to motivate managers to use the personnel system for what it is: a flexible tool to accomplish management goals and meet the human needs of its employees. We've had to convince many people that the merit system is not cast in concrete and never should be.

Also, there is the matter of confidence. Just as there is a crisis of confidence in government at all levels, there is also a lack of confidence within the system. Management, unions which are growing in size and vigor, young employees, minorities, women —they are all being heard from.

Each, in his or her own way, wants to see the system become more responsive to society's needs, and to *their* needs.

Does the idea of more flexible management mean giving more authority to you and to the people directly under you?

No, it isn't a simple question of

New Labor Policies in the Civil Service *continued*

more authority. I'm thinking of broader guidelines which give more leeway and thus more *initiative* to the manager, and leave more for the manager and the unions to negotiate about. CSC does not need more authority—we need better managers to make the governmental system work.

Performance evaluation is a good example. Right now it is an either/or proposition. You rate a man either satisfactory or unsatisfactory.

But it is not good performance evaluation merely to say Mr. Smith is doing a good job in his present position.

A man is entitled to know the types of things that would make him a better employee, and would allow him to advance. Under our system we don't have the ability to do this.

Why can't Civil Service set up such a system?

Our laws are restrictive in that they specify in detail how personnel shall be evaluated. The laws are sound, but they were more suited to the time in which they were passed. It is difficult to devise laws setting down hard and fast rules which will be valid over a long time span.

What we need now is a law stating that there should be in the federal service a performance evaluation system designed to accomplish certain goals, and that the rules and regulations to accomplish this purpose will be issued by the President or his designated representative.

It has been reported recently that the Civil Service plans to revise its policies to make it easier to fire an employee from federal service. Is this true?

Our thinking has been more far-reaching than that.

Envision this background: The courts say a stigma attaches to the man fired from a government job. The public has a notion that a civil servant can't be fired. Our present adverse action and appeals system is infinitely fair, but the procedural safeguards lengthen many cases while a man goes through layers of appeals. And there is no clearly defined procedure for counseling a man who is in danger of being fired.

So, we have asked the staff to study the matter. We'd like to know, for example: Mightn't it be feasible to counsel the worker who is walking on thin ice, to give him a chance to shape up. Then, if he must be fired, can't it be done more efficiently?

Why have him appeal first to his agency, then to the Commission, then to the Board of Appeals and Review, and finally to the courts? Might the very structure of our system be contributing to the long, drawn-out process? I think there is room for improvement in many ways.

What are your views on allowing more political activity by federal workers?

That really is a question of degree. Some people would like federal employees to be free to participate in the management of partisan campaigns and to run for partisan office. This would destroy the whole character of a work force that is supposed to serve the general public regardless of which party is in power.

However, we do believe that the Hatch Act, which regulates political activity by federal workers, can be liberalized. The Administration is in the process of drafting a revised law which would give employees greater opportunity to participate in the political process, strengthen the safeguards against coercion, and eliminate any uncertainties as to which activities are prohibited.

We do not plan to weaken the prohibitions in such a way as to destroy the cornerstone of the merit system, as some advocates have suggested.

What do you regard as your most important accomplishment of the past two years?

It would be hard to single out one accomplishment as being more significant than all others, but in my opinion the Civil Service has been improved in a number of ways.

One of the most important was the action Congress took in refinancing the retirement system and putting it on a sound financial basis.

Setting up a health benefits pro-

gram that changes as the times change also was important. Another milestone was passage of the federal employees pay act of 1970, which gives the President authority to set pay for employees of the Executive branch.

President Nixon's Executive Order 11491 of October, 1969, was important because it went a long way toward bringing federal labor relations policy more closely in line with the customary practices of private industry, yet still recognizing unique governmental problems.

It established a central review authority for the federal service and provided a mechanism for a third party to resolve complaints over labor practices, grievances and standards of conduct.

An improved system for resolving grievances and appeals was established although, as I have indicated, I believe it can be improved further.

The federal government also has taken the lead in providing equal employment opportunities. For example, the proportion of Negroes it employs is more than 40 per cent higher than in the over-all civilian work force. Equal opportunity has been woven into the fabric of federal personnel policies covering all aspects of employment.

There have been reports of plans to establish a quota system to increase the proportion of minority workers. Is this true?

We are opposed to arbitrary quotas as such, but we encourage reasonable goals and timetables for achieving those goals.

It is one thing to say that one of every five—or four or 10—new hires must be a minority hire. It is quite another to take a close look at where your installation stands in relation to the makeup of the community around it.

If you discover that you have 5 per cent minority on your payroll while the community around you has 45 per cent, it is not improper to make a resolve to do better. And the sooner the better.

But the points we stress are these: Goals must be achieved within the framework of open competition. They should be realistic and flexible. And

Civil Service

continued

they should be construed as instruments for measuring progress rather than ends within themselves.

What are your priorities for changes in the Civil Service?

One is to maintain a continuous review of the labor relations program, and hopefully to bring about improvements. Public service unionism is in an evolving state and we don't know all the problems, much less the answers. We need time, patience and understanding to work out the most appropriate system.

Another is to get the Hatch Act amendments before Congress.

We are also very hopeful that Congress will approve the Administration's proposal for a blue collar employees' pay law.

Implementation of the Intergovernmental Personnel Act, a brand new piece of legislation, also is a top priority item. This law puts us in the business of providing technical and monetary assistance to state and local governments to help them improve their personnel systems.

Establishment of the Federal Executive Service is a very important part of our program, and we have a bill before Congress now. More attention must be given to training federal executives, because 88 per cent of our executives come from within the system.

Under the Federal Executive Service bill, a selection board will certify that people are qualified to move into executive status at a salary level that would equate with the present GS-16, 17 and 18 positions.

An executive could be assigned wherever needed in his agency, not married to one desk as at present.

Every three years his performance would be evaluated to determine if he should be moved up or moved out, or stay as is, but he could be promoted in less than three years if he is doing well.

On the other hand, he could be demoted or forced to leave executive status at the end of the three-year agreement, in which case he could revert to grade 15.

Transcending all other desires, we want a personnel system, and a federal work force, truly responsive to the needs of the day and the future. END

THIS MONTH'S GUEST ECONOMIST

Dr. Raymond Jallow
Senior Vice President
United California Bank
Los Angeles, Calif.

COMPANIES IN BONDAGE TO DEBT

Many companies, during the past period of tight money, found that a large debt structure was not necessarily the foundation for bigger profits it had been imagined to be.

Instead, it made some companies totally inflexible. Sometimes, it even led to their downfall.

As all corporate managers are aware, when debt is used to finance expansion and the number of shares of stock remains unchanged, earnings per share will rise if return on the new investment exceeds the interest cost. They also are aware that the interest paid is tax deductible.

Therefore, it is easy to see why in the 1960s—a period of uninterrupted expansion during most of which interest rates were relatively low—the use of financial leverage increased dramatically.

Total debt for U. S. corporations stood at $303 billion in 1960 and exceeded $750 billion in 1970, an increase of nearly 150 per cent. For manufacturing corporations, long-term debt rose from $31 billion to $99 billion during the decade, with the debt to equity ratio rising from 0.19 to 0.32.

One pitfall for many corporate managers who follow the debt avenue of financing expansion is that they fail to compensate for the possibility of a downturn in profits, a tightening in money markets, or both. They are carried along by rising profits, increasing cash flow, high earnings per share, relatively low interest rates and rising stock prices.

As the saying goes, "All good things must come to an end," and when they do a number of factors can interact to bring about severe cash problems.

A downturn in the economy is especially critical to the highly leveraged company, as a reduction in cash flow inevitably results from the downturn. When cash flow is reduced, interest payments naturally become more difficult to meet, and maturing obligations often become past due.

Examples where cash flow can vanish include a longer collection time on receivables, a slowing of inventory turnover, and a shrinking profit margin. For instance, profit margins of large manufacturing corporations with low liquidity ratios fell from 4.08 per cent in the second quarter of 1969 to 2.89 per cent in the third quarter of 1970.

The recent downturn in the business cycle demonstrated quite clearly how rapidly cash flow can vanish, with substantial debt becoming a chain on corporate flexibility, rather than the vehicle for increased earnings per share.

As is the case with most financial difficulties, there are usually a few warning signals which can provide adequate time for an altered course in financial management.

An important warning which occurs in the external environment is the cutting back of the money supply.

When money is tight, a businessman's ability to roll over debt is greatly impaired—confronting him with the possibility of a liquidity crisis. And the increase in interest as businesses compete for the fewer funds available in the credit market means the service cost of debt can exceed the return on expansion programs which are only yielding marginal returns.

A businessman, therefore, should keep his eye on the apparent intention of fiscal and monetary policy makers.

Certainly, there could be no mistake about the priority the Nixon Administration and the Federal Reserve Board placed on combating inflation during 1969 and early 1970; their pronouncements were loud and clear. Also, the observer could have noticed the restraint on the money supply, which began long before money became really scarce in the credit markets.

Most highly leveraged companies had time to somewhat alter their financial structures before the real squeeze began, if they heeded these first warning signals.

The signals must be taken seriously before they are translated into action in the marketplace, for even if they are spotted early, the highly leveraged firm may barely have enough time to extend credit lines or restructure its capital before lower profits, high interest rates and scarcity of funds trap it in a liquidity squeeze.

A company's liquidity problems generally are a result of a substantial shift in the balance sheet toward greater leverage, usually over a long period. The immediate evidence that a company is badly structured is most often apparent in its current assets and liabilities—sensitive as these are to the fluctuations of the economic environment.

In 1970, corporate liquidity fell to its lowest point in history. According to the Economic Report of the President 1971, the quick ratio (cash and U. S. government securities/current liabilities) averaged 0.23 in late 1970, a 26 per cent decrease from 0.31 in the first quarter of 1969.

The critical cash squeeze and severe corporate liquidity problems last year may have produced one important result: Corporate managers and lending institutions have begun to shift some of their emphasis back to the balance sheet, although this development may be forgotten when the speculative mood begins to take hold.

The imaginative, innovative corporate manager who uses debt to increase earnings per share may also have learned that economic forecasting, as well as keeping an eye on major changes in government policy, is a necessity in the leverage game.

Financial leverage has its place, to be sure, but excessive use can turn the tables on the unsuspecting. Rather than being a tool to acquire greater earning power, it can result in unsound debt structure which places a company in bondage.

DRAWINGS: CHARLES A. DUNN

No plan man

How to Make the Least of Planning

Planning can give your company a big edge.

With it you can control your future to some extent, prepare for events likely to occur, and make the best possible responses to opportunities and problems.

Without it, your only alternative is to react to events. To do so is to let your competitors determine your future.

But valuable as it is, planning never has been easy, and it's perhaps less easy today than ever before. Plans are based on forecasts, and forecasting these days is frustrating due to rampant and rapid change in technology, markets, political alignments, society's concepts and expectations—and competitive developments.

Competition can come from anywhere.

For instance, while Pittsburgh Plate Glass Co. was making a successful entry in European markets, St. Gobain entered the American market with equal success. Meanwhile, Pilkington Brothers Ltd., no slouch in international markets itself, developed the float glass process to which both other firms had to obtain license rights.

Furthermore, it's sometimes hard to tell who is who. Libby, McNeill & Libby, an old American company, is 34 per cent owned by the European food company, Nestlé.

KLM Royal Dutch Airlines faces a most unusual dilemma. The Dutch government would like to sell more of its stock and become a minority stockholder. While management of most government-controlled companies would leap at the chance for private control, KLM management wants the government to hold its majority.

Almost all publicly held KLM stock is believed to be in the hands of U. S. nationals. If the government were to give up another 5 per cent or so, management fears the U. S. Civil Aeronautics Board might claim jurisdiction over KLM as an American-owned airline.

Yes, planning can be intricate and difficult. Because it is, and because it can force changes in methods of thinking and operating, many executives shy from it.

If you do not want planning to interfere with the way you have always done things at your company, if you detest making decisions now about things that will not happen for months or years, if the effort of looking into the future and constructing a plan based on uncertain data bugs you, these are some guaranteed ways to ensure that planning does not affect your life:

1. *Insist that firm corporate objectives be decided upon before any planning is done.*

This puts planning in a suitably rigid framework that should prevent its being of much use. You can stick doggedly to these objectives—regardless of what happens with the passing of time.

2. *Strive to have objectives set unreasonably high or low.*

High objectives make the boss happy, but they don't require excessive work since everybody knows they cannot be reached. Low objectives make everybody look good, since they are easy to better.

Low objectives can be self-fulfilling. Several years ago, the cargo division of an airline estimated that the market would justify a 35 per cent expansion in capacity. Top management did not concur, and capacity was expanded only 5 per cent.

As it happened, the business offered was in the neighborhood of 35 per cent. But with a limited capacity available, the actual increase was confined to the 5 per cent—just what top management had predicted.

3. *Insist on preparing a plan that covers all the company's activities at the very beginning.*

Don't let anybody sell the idea of starting planning in a smaller area of the company and then expanding as

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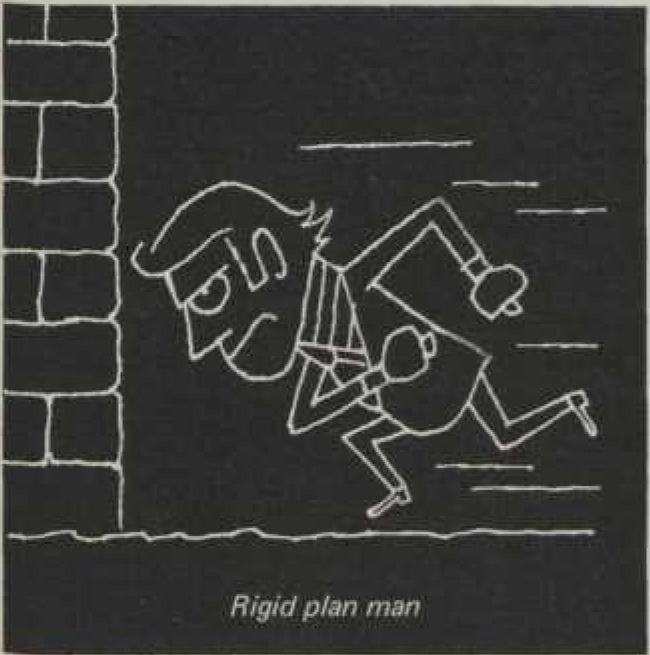


Rigid plan man

Flexible plan man

the company learns how to plan and develops proven successes.

4. *Don't bother to coordinate planning segments. Never try to get everybody working on the same volume and location targets.*

In a consumer hard goods company, marketing executives optimistically built up goals from the expectations of salesmen and sales managers. The forecast was for a 20 per cent sales increase.

At the same time, production officials concluded that the year would not be so good and planned for a 10 per cent production decrease.

The company was well into the plan year before the discrepancy was discovered. The production men, of course, had the advantage of their self-fulfilling forecast. You can't sell what you don't have.

5. *Insist that long-range plans must come first.*

Never acknowledge that it might be easier for many executives to start by planning for a year ahead, which they can see fairly clearly, and then expand planning to longer periods.

6. *Once you fix on a plan, stick to it no matter what.*

One company planned on using profits from its operation in one Latin American country to finance opening a plant in another. However, before the funds were transferred, the country where the profits were devalued its currency.

This meant the company either had to get the funds elsewhere or abandon the new project. But, as often happens, the problem was not faced. A manager came down to build, organize and run the new plant in the new country—with no funds available to him. By the time somebody noticed and appropriate changes were made to provide the money, he had wasted four months.

Another company invested both in Holland and in India in the same year, with planned growth and development programs in each country.

Competition proved rough in Holland, but the product was very successful in India. Instead of changing its plans to exploit the unexpected success in India, the company went blindly ahead as originally planned. As a result, it made less money in India than it could, and what little it did gain in India, it lost in Holland.

7. *Don't bother to check performance at regular intervals—with all the executives involved.*

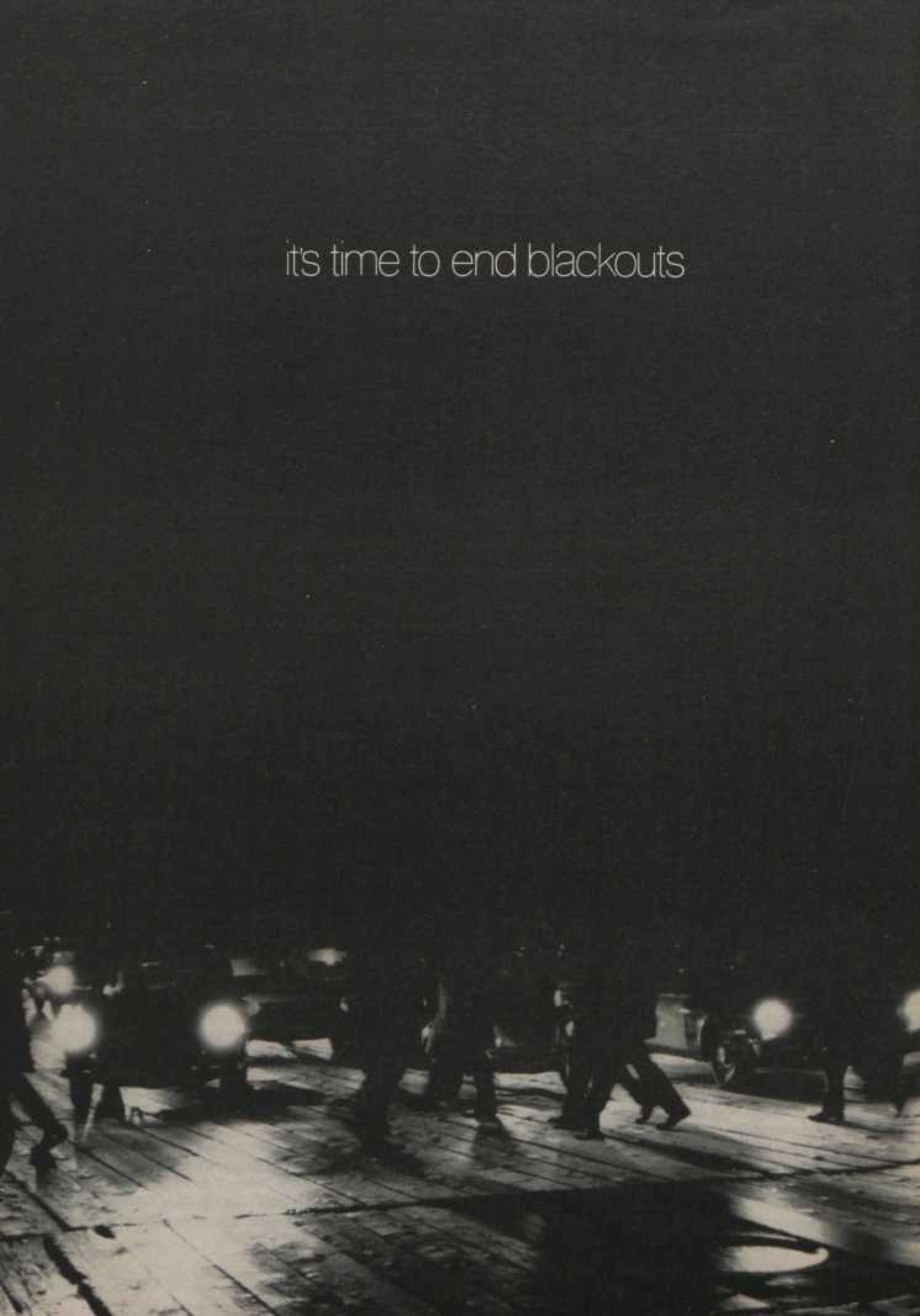
A consumer service company checked its progress against an original plan each quarter and found that total sales were going along fine—according to plan. But, because its reviews did not extend to regions, it took a year to discover that sales were running well above plan in the Middle Atlantic states—and well below on the West Coast.

On the Coast, the company's major competitor was making a determined marketing effort. The West Coast manager fought a brilliant rear-guard action, but was not supported by headquarters. Result: The competitor took 10 per cent of the firm's West Coast sales.

In the Middle Atlantic states, an opportunity to exploit an unexpected, high consumer acceptance—and to make life miserable for the same competitor—was lost. The competitor was given time to revise his product line and to put in added sales, advertising and promotion efforts to recapture his market share.

If you, too, are an executive who shies from planning, just follow these guidelines. Planning at your company will be a disaster. It will be thoroughly discredited and never again disturb the even tenure of your ways. **END**

REPRINTS *of "How to Make the Least of Planning" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*


it's time to end blackouts

The average consumption of energy per person in the United States is six times as high as the world average. Our level of living is five times as high. There is a connection between the two.

But, as you know, we face an energy shortage in this country. The blackouts and brownouts which we have experienced are a tip-off of what could happen. The situation is more serious than most people seem to realize. It poses a threat, not only to our level of living, but also to our national health and our national security.

What is the cause of this energy shortage? Basically, it reflects a fuel shortage. It stems from an underproduction of coal, oil and natural gas—principal sources of energy.

The energy shortage might have been prevented if nuclear power plants had come through as expected. But they didn't; they fell behind schedule. They ran into design problems and construction problems—and particularly, they ran into resistance created by those seeking to "protect the environment."

What Business Recommends

The businessmen of America, as represented by the National Chamber, do not claim to know all the answers. But this is how we view the situation:

The *sources* of the needed energy are available. There is plenty of coal, oil and gas in the ground. The challenge is to make the best possible use of these fuels—and, in doing so, to improve the production and distribution of energy.

The basic step toward meeting this challenge, we feel, is for the government to establish realistic *national energy goals*—which the energy industry can attain. The goals, it seems to us, should be:

1. To provide sufficient energy for future economic growth;

2. To gain recognition of the fact that energy is an entity, and that public policy with respect to specific fuels must be subordinated to our national energy policy;

3. To reconcile the nation's demand for energy with the nation's demand for protection of the physical environment, and

4. To strengthen our domestic fuel industry, and thus to reverse the current trend which is marked by ever-increasing dependency on foreign sources of fuel.

Goals such as these can be established only by Congress—and will be when the American people exercise their citizen power to put an end to energy blackouts.

For More Information

Use the coupon for more information about the energy shortage. Two talks are available on this subject, one by Arch N. Booth, Executive Vice President, Chamber of Commerce of the United States, the second by M. A. Wright, Chairman of the Board, Humble Oil & Refining Company and Director and Member of the Executive Committee, Chamber of Commerce of the United States.

Chamber of Commerce of the United States

1615 H Street, N.W., Washington, D.C. 20006

Please send me copies of the two talks on the energy shortage.

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BUSINESS | A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

More and more farmers who have found agriculture not too profitable are swinging to aquaculture.

The trend toward more leisuretime activity prompted an explosion in production of bait fish—minnows—in the early '50s. Now, aquaculturists have bigger fish to fry.

Experts point to explosive growth in the raising of larger species, such as catfish, for the table.

The growth began in the late '50s. By 1963 there were 2,370 acres of ponds devoted to catfish. Today an estimated 39,300 acres are.

The catfish crop in 1969 amounted to some $33 million. Retail sales were in the neighborhood of $75 million.

Plenty of land is available for aquafarmers. In Arkansas, where about 10,000 acres were devoted to catfish in 1969, some 3.5 million acres are deemed suitable.

Approximately 70 per cent of all the fish consumed in the U. S. are imported. But that may change.

CONSTRUCTION

The hottest thing in housing? Town houses, according to the National Association of Home Builders. Its membership reports a 174 per cent increase in town house construction over 1970 is likely this year.

Rising land values, improved design and reduced maintenance are cited as factors encouraging the trend. In 1970 some 12 per cent of residential output was in town houses. This year, it's estimated, the figure will be 17 per cent.

Garden-type apartments are expected to climb from 25 to 27 per cent of total residential construction, with high-rise apartments dropping from 3 to 2 per cent and detached houses from 58 to 48 per cent.

Another growth area in construction is in convenience stores. *Convenience Store News* estimates over 2,500 units are being added in 1971 to the 16,036 existing in 1970.

A nationwide survey by the publication shows 58 per cent of such stores are now located below a line running between Atlanta and Los Angeles. But 70 per cent of new convenience stores in 1971 will be built north of that segment of the country.

HUMAN RESOURCES

Trends in population, the economy and society in general are causing changes in career prospects. For example:

• There is a growing need for nurses. In 1970 the U. S. had 700,000 registered nurses while 850,000 were needed. That need will rise to one million by 1975. And 180,000 more practical nurses will be in demand by then, says the National League for Nursing, Inc.

• There is the explosive growth field of electronic servicing. A shortage of 30,000 qualified technicians is reported. Training programs are adding 2 per cent a year, but production of electronic devices keeps rising 25 per cent annually.

The Electronic Industries Association says that about $8 billion (retail) in consumer electronic products (35 million new units) were sold last year and that over 500 million of such products are in use.

• For the not-so-young, there are opportunities in hospital personnel management. The University Medical Register, a placement service for medical and paramedical personnel, says demand is high for managers experienced in both the health care field and labor-management relations. Managers with union know-how are being offered starting salaries up to 40 per cent higher than in 1970. Cause, of course, is union organizing efforts among hospital employees.

FOREIGN TRADE

Expect continuing Congressional pressure on the Administration to force an end to discrimination against U. S. farm products by the European Economic Community.

One issue is a $30-million-a-year citrus export market. This country contends that tariff cuts benefiting four Mediterranean nations are a clear violation of GATT—the General Agreement on Tariffs and Trade.

The U. S. is signatory to the pact, in which equal tariffs are a cardinal principle. Exceptions to this rule, however, are allowing Western Europeans to import oranges and lemons from Tunisia and Morocco at 20 per cent of the common tariff. And imports from Spain and Israel enter the world's largest citrus importing area at 60 per cent of the rate charged U. S. producers.

Citrus growers in Arizona and California estimate an annual loss of $4 million.

MANUFACTURING

A potential $2.5 billion annual market is seen for biomedical technology products in the next decade, but it depends to a great extent on national health program activity.

The figure comes from a Manley Management and Marketing Service Corp. survey, which estimates the market in 1970 was $660 million.

Patient monitoring equipment, one of the categories, reached $50 million last year and has a $500 million potential. The automated clinical laboratory market has grown from $1 million to $90 million in the past decade. The medical market for electronic data processing, it's predicted, will hit $1 billion by the end of the decade.

The survey concludes that one of the most attractive growth areas will be automated multiphasic health screening—a surveillance system aimed at spotting health problems before symptoms become apparent in a regular physical examination.

MARKETING

To reduce the bulge of a near-record inventory, the canned food industry is courting the reluctant consumer.

Slackened demand by the general consumer and continuing cutbacks in armed forces procurement produced a Jan. 1, 1971, starting inventory of 123 million cases of vegetables and 85 million cases of fruits.

Alvin H. Randall, president of the National Canners Association, says that to get the inventory in balance before the 1971 canning season calls for shipments of about 84 million cases of the 10 major seasonal vegetable items and about 55 million cases of the eight major canned fruits.

Defense buying reflects the reduction in number of men in uniform: In 1970, canned vegetable purchases by the services were off 34 per cent; fruits, 43 per cent; and juices, 12 per cent. This year, the Association predicts, will show additional, though slighter, drops.

NATURAL RESOURCES

Clean water costs money and this means a promising market in the next five years for chemical companies—as much as a 50 per cent increase in sales in the water and waste treatment area.

The research and management firm of Arthur D. Little, Inc., estimates chemical sales in this category will climb to $495 million by 1975 from about $320 million in 1970. Capital spending on water and waste treatment last year was about $3.5 billion and operating costs were around $2 billion.

The outlook during the next five years is for healthy growth and significantly improved profits for those companies with demonstrated technical and systems capabilities and those having proprietary products or services in this field.

TRANSPORTATION

If it comes to a choice between the Interstate Commerce Act and antitrust laws, the transportation industry is going to opt for the former, warts and all.

There is a common front of opposition, from those who transport by air, land or sea, to proposals that a superagency be created to regulate the whole transportation industry and that antitrust statutes be applied to it.

"Antitrust laws could interfere far more with freedom of action than does the Interstate Commerce Act," says John A. Creedy, president of the Water Transport Association.

At a recent Transportation Association of America seminar in Washington, industry spokesmen also shied away from use of the term "deregulation" in favor of "reform."

General agreement was that restrictive regulations need reform, but that a wholesale scuttling of the existing system is not feasible.

EDITORIAL BLOWING IT

Do you ever spend more than you make?

For a week? A month? A year?

Most of us do sometimes. The bills bunch up, or we simply blow too much of our income, or maybe we even give away too much.

If you have good credit you can get away with it for a while, but before too long somebody blows the whistle.

This month we will find out how much more the federal government has spent than it took in this fiscal year.

President Nixon estimated $18.5 billion, but a better guess is $20 billion or more.

And the government has been in the black only one of the past 10 years.

It's time somebody blew the whistle.

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